THE MAGAZINE OF WALL STREET

APRIL 30, 1932

Can the Federal Reserve Lift the Stock Market?

By A. T. MILLER

France's Objectives Revealed

By JOHN C. CRESSWILL

Stocks Selling Below Current Asset Value

Selected by The Magazine of Wall Street Staff

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THE BALTIMORE AND OHIO RAILROAD COMPANY

OFFICE OF THE PRESIDENT

To the Stockholders of
The Baltimore and Ohio Railroad Company:

Baltimore, Md., April 1, 1932

The President and Directors submit herewith a statement of operations for the year 1931, including condensed Income Account compared with the preceding year, and Balance Sheet as of December 31, with certain other general information which it is thought will be of interest.

The Annual Report in the customary form will be prepared and forwarded later to those stockholders who have advised or may advise the Secretary of the Company of their desire to receive it.

The net income for the year, after the payment of interest, rentals, taxes and other fixed charges, was $3,802,978. This is a decrease of $17,620,792, compared with 1930.

After paying the 4% dividend on the Preferred Stock, there remained $1,448,450, equal to fifty-seven cents per share on the amount of common stock outstanding during the year. Dividends aggregating 3½% were declared on the common stock, and amounted to $8,970,341, causing a draft on Surplus of $7,521,891, which, with other adjustments in that account resulted in a decrease, compared with December 31, 1930, of $7,875,751. The total accumulated surplus of your Company, as adjusted, on December 31, 1931, was $101,985,578.

The recession of business in general during the year was more pronounced than during the preceding year, with consequent reduced earnings for 1931 as compared with 1930. As shown in the Income Account, the operating revenues decreased 23.32%, while operating expenses were reduced 21.68%, leaving a net corporate income of $3,802,978, compared with $21,423,770 the preceding year.

The property was maintained in condition to assure safe and adequate service.

The continued decline in passenger traffic is a matter of deep concern, and has been the subject of study and effort, first, to retain and recover the traffic where possible through improved service, and, second, to offset the loss where practicable, through the elimination of train and car mileage. With the extension of improved highways, in many instances paralleling the steam road, it has been possible, with the approval of the governmental bodies, to materially reduce the branch line mileage, and also to curtail main line mileage. Even so, it has not been possible, with due regard to public convenience, to eliminate all of the unremunerative train mileage. For the year, the passenger train miles operated were 15,742,157, compared with 17,910,381 in the preceding year, or a decrease of 12.11%.

To sustain and invite long-distance passenger traffic, experiments were begun a few years ago to develop an even greater degree of comfort for patrons, and it was the privilege of your Company to install and operate, beginning May 24, 1931, the first completely air-conditioned train in the history of railroading. This train, known as the "Columbian," operates daily between Washington, D. C., and Jersey City, New Jersey. The innovation was well received by the traveling public, and plans were perfected whereby a second train was equipped and placed in operation between Washington, D. C., and Jersey City, later in the season. The patronage on these trains, particularly during the summer months, has been gratifying, and with the experience gained and further study it is contemplated to improve and expand this service.

The railroads of the country, realizing the serious situation confronting them, submitted an application to the Interstate Commerce Commission in June 1931, for a general increase of 15% in freight charges, which, after extended hearings in the principal regions of the United States, was denied. The Commission, however, granted the roads authority, as an emergency measure, to make increase in certain rates, effective January 4, 1932, which it is estimated may cause an increase of roundly 3½% in the freight revenues of your Company. In accordance with a suggestion contained in the order of the Commission approving this rate increase, the Carriers of the country entered into what is known as the "Marshalling and Distributing Plan," under which the amounts realized from the rates so increased will be paid to the Railroad Credit Corporation and used as a fund for loans to carriers failing to earn their fixed charges, and to prevent default.

As a result of negotiations between a Committee of Railway Presidents and employees of the participating railroads, represented by the Chief Executives of the respective organizations of employees of the railroads, the employees so represented agreed to a ten per cent. deduction in compensation, as of February 1, 1932, the basic rates to remain undisturbed. The agreement to terminate atuomatically January 31, 1933. This voluntary action of the employees, through their representatives, will be most helpful to your Company in meeting the conditions brought about by the prolonged period of depression, and afford opportunity for a sustained and possibly more liberal maintenance program, with increased employment.

During the year there was an increase in investment in road and equipment of $5,148,778.

The total investments of your Company increased $12,915,369 while there was a net decrease in current and deferred assets of $8,911,958. Through the payment of maturing obligations, funded debt was decreased by $7,464,000 and loans and bills payable and current liabilities increased $14,740,425 or a net increase in obligations outstanding of $7,276,425.

The Interstate Commerce Commission, on November 19, 1931, granted your Company authority to operate the Buffalo, Rochester and Pittsburgh Railway and the Buffalo and Susquehanna Railroad; therefore, effective January 1, 1932, these two properties will be operated as constituent parts of the System. The increase in the investment in these companies for the year was $317,715.

As stated in the annual report for the year 1930, your Company, late in that year, acquired the property of the Chicago and Alton Railroad at foreclosure sale. A new company, known as The Alton Railroad Company, was organized and, with the approval of the Interstate Commerce Commission, took ever the ownership and operation of the property, effective July 19, 1931, and your Company acquired all the capital stock of the new Company, at a total cost to your Company of $25,396,151, reflecting an increase of $2,675,288 in the investment during the year. The Company also expended $1,508,050 in the acquisition of guaranteed stock of railroads leased in perpetuity to The Alton Railroad Company.

During the year the Company added to its holdings of Reading Company stock by the purchase of 1,600 shares of First Preferred Stock, 1,800 shares of Second Preferred Stock and 7,300 shares of Common Stock, at an aggregate cost of $775,069. In addition the New York Transit and Terminal Company, a wholly owned subsidiary, acquired 800 shares of First Preferred Stock, 6,500 shares of Second Preferred Stock and 41,600 shares of Common Stock of Reading Company, at a total cost of $2,549,319. Including these purchases your Company now owns and controls 233,665 shares of First Preferred Stock, 339,100 shares of Second Preferred Stock and 597,600 shares of Common Stock of the Reading Company, a total of 1,170,365 shares or 41.81 per cent. of the entire issue, costing $70,967,069.

In view of the continuing decrease in traffic, and in order to conserve cash against maturing obligations, it has seemed wise to your Directors to suspend dividend payments on both the Preferred and Common shares of your Company.

While traffic continues to show a decrease under that of the preceding year, since January, 1932, there has been no further decline in the trend of traffic, and through added economies, every effort is being made to overcome, on your property, the effects of the conditions generally prevailing. Furthermore, as the anticipated beneficial results of the constructive measures taken by the Government, in an effort to stabilize the financial structure of the country, become more widely felt, business should improve and railroad traffic return to more normal conditions.

The interest and assistance of the stockholders in securing traffic, which has been manifest in the past, has been most helpful and of mutual benefit, and your co-operation in this respect is more urgently needed now than ever before, and is, therefore, most earnestly solicited.

Daniel Willard,
President.

THE BALTIMORE AND OHIO RAILROAD COMPANY

INCOME ACCOUNT

	1931	1930	Increase or Decrease: Amount	Increase or Decrease: %
Revenue from freight transportation	$131,977,796	$173,706,337	$*41,728,541	*24.02
Revenue from passenger transportation	14,801,546	18,567,622	* 3,766,076	*20.28
Revenue from mail, express and other transportation service	11,695,286	14,386,477	* 2,691,191	*18.71
Total Railway Operating Revenues	$158,474,628	$206,660,436	$*48,185,808	*23.32
Maintenance of Way and Structures	$ 13,524,048	$ 22,442,383	$* 8,918,335	*39.74
Maintenance of Equipment	31,542,648	41,693,161	*10,150,513	*24.35
Traffic	5,887,545	6,269,933	* 382,388	* 6.10
Transportation	59,443,637	72,500,106	*13,056,469	*18.01
General	7,790,757	8,145,895	* 355,138	* 4.36
Miscellaneous	1,755,805	2,090,897	* 335,092	*16.03
Total Railway Operating Expenses	$119,944,440	$153,142,375	$*33,197,935	*21.68
Transportation Ratio	37.51%	35.08%		
Total Operating Ratio	75.69%	74.10%		
Net Revenue from Railway Operations	$ 38,530,188	$ 53,518,061	$*14,987,873	*28.01
Taxes	$ 8,893,647	$ 10,326,670	$* 1,433,023	*13.88
Equipment, Joint Facility Rents, etc.	3,405,690	2,942,778	462,912	15.73
Total Charges to Net Revenue	$ 12,299,337	$ 13,269,448	$* 970,111	* 7.31
Net Railway Operating Income, as defined in Transportation Act of 1920	$ 26,230,851	$ 40,248,613	$*14,017,762	*34.83
Other Income—Rents, Dividends on Stock and Interest on Bonds owned	9,118,957	11,243,924	* 2,124,967	*18.90
Total Income from all sources	$ 35,349,808	$ 51,492,537	$*16,142,729	*31.35
Deductions for Interest and Rentals	$ 30,263,557	$ 29,155,865	$ 1,107,692	3.80
All Other Charges against Income	1,283,273	912,902	370,371	40.57
Total Deductions from Income	$ 31,546,830	$ 30,068,767	$ 1,478,063	4.92
Balance of Income available for Dividends and other Corporate purposes	$ 3,802,978	$ 21,423,770	$*17,620,792	*82.25

* Decrease.

BALANCE SHEET
December 31, 1931

ASSETS

Investment in Property used in Transportation Service		$ 923,661,086
Investment in Separately Operated Companies, Miscellaneous Physical Property, etc		123,753,509
Investment in Other Companies		90,662,199
Total Investments		$1,138,076,794
Current Assets		42,040,956
Deferred Assets		6,018,796
Total		$1,186,136,546

LIABILITIES

Capital Stock Outstanding		$ 315,158,510
Preferred	$ 58,863,162	
Common	256,295,348	
Premium on Capital Stock		3,355,721
Long Term Debt		600,159,996
Mortgage Debt	$539,407,246	
Equipment Obligations	57,044,800	
Capitalized Leaseholds	3,707,950	
Current Liabilities		64,894,637
Liability for Provident Funds and Other Deferred Items		11,135,924
Accrued Depreciations—Equipment		79,700,506
Reserve for Taxes, Insurance, etc		9,745,674
Surplus		101,985,578
Total		$1,186,136,546

General Wehr

Member of Audit Bureau of Circulations

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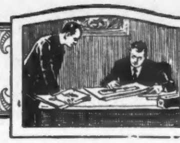

The Real Significance of Political Investigation of the Stock Market

TO anyone familiar with the intricate workings of the financial markets the Senate Committee's clumsy and bungling "investigation" of short-selling can only appear farcical. Insofar as it is a futile effort of politicians to pin the blame for low security prices upon the shoulders of "bear raiders" it is merely a waste of time that might better be employed on various problems more directly within the sphere of government.

Yet Wall Street's apparent inclination to take this investigation lightly seems a mistake. It is not important in itself, but because it must be frankly recognized as reflecting the more or less vague feeling of resentment which is harbored against Wall Street. This is a sentiment that can not be ignored if the great financial institutions of the country's money center are to retain the confidence of the average man.

To blame Wall Street for the depression would, of course, be absurd, yet any impartial observer must concede that the part it played in the stock market boom of 1929 is not entirely blameless. Moreover, even if the public's critical attitude were unjust, it would still have to be recognized. The matter cannot be dismissed by saying that most stock losers have themselves chiefly to blame.

Some responsibility certainly attaches to those banks which entered the securities business and which, in effect, "sold" their customers on the boom. The speculative abuses of which bankers were guilty must not happen again and probably will not happen, for restrictive legislation already is in prospect.

Nor can the brokerage community dodge all responsibility on the plea that it acted merely as commission agent. Many firms went far beyond this function in the natural desire to promote business through all the arts of the customers' man and the glowing market letter. No legislation is needed or desired here. What is needed is a much higher and more conservative code of brokerage ethics formulated and enforced through the autocratic powers of the Stock Exchange.

A definite distinction should be made between commission agents and underwriters. Regardless of the proportion of the margin, which has been proven relatively unimportant, over-trading and pyramiding by amateur speculators should be discouraged, both in their own interest and in the broader interest of Wall Street.

Such reforms as are desirable could be readily effected by the Stock Exchange and will be effected if it has the wisdom to realize the value of public good will. Its efforts thus far are commendable, but do not go far enough. The public, for example, is entitled to more frequent and more detailed information regarding the business of listed companies than is now available. Every company whose securities are listed should be forced without exception or favor to issue reports, at least every quarter, on earnings and sales under a standard and approved accounting method. The railroads and many utilities report each month. United States Steel and General Motors are models of voluntary frankness in dealing with stockholders and the public. It is time for more reluctant managements to be forced into line by the Exchange if they will not see the light.

In the Next Issue

1. **Can the Noose Be Cut from the Neck of World Trade?**
   A discussion of the tendency towards special trade agreements between nations and tariff reciprocities, with particular reference to the forthcoming Imperial Conference.
   By THEODORE M. KNAPPEN
2. **Congress Plays with Economic Dynamite in Security Taxation.**
   By JOHN D. C. WELDON
3. **How the New Federal Reserve Policy Will Affect Bond Prices.**
4. **Corporate Changes Lend Further Impetus to Oil Recovery.**
5. **Investment Opportunities in Top-Notch Preferreds.**

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Investment and Business Trend

Inflation Is With Us — Paying in German Bonds — Dodging the Facts — Retrenchment in Government Has Started—Holding Companies Decline—The Market Prospect

INFLATION IS WITH US

THE Federal Reserve has announced that it has undertaken a vigorous policy of forcing money out of the banks by pouring it into them. The banks say that they have no need for it, that there are no borrowers for their present abundant funds. To hand them 75 to 100 millions of cash a week in return for bonds is, therefore, an artificial measure to expand circulation and credit. Name it as you will, that is inflation. Whatever it is called it is a policy that has been long favored by the New York Federal Reserve bank and by many conservative economists.

But whether this particular manifestation of inflation is justified or not, it is undoubtedly popular. Inflation is in the air. The nation is beginning to look with favor upon desperate measures. It has come to the conclusion that, at whatever later cost, the deflation of prices and the scarcity of money in effective circulation must be checked. We have reached the period that comes in every long continued depression when the demand for cheap money becomes menacing. Many of the advocates of the immediate full redemption of the soldiers' bonus-insurance certificates are such not for relief reasons but because it affords an opportunity for direct inflation from the treasury. They openly express a preference for liquidation of the certificates with paper money instead of with realizations from a bond issue, declaring that the issuance of two billion dollars of paper money will avoid all strain on the treasury and stimulate a quick business recovery.

There are other bills in Congress for funnelling new paper money directly from the treasury without the aid or consent of the Federal Reserve System. There are even several measures for the jacking-up of the price level by means of a controlled currency. One Senator wants five billions of paper money expended by the Government on public improvements as fast as the Bureau of Engraving and Printing can turn them out.

It is not improbable that if the depression does not take a turn for the better in the near future only a presidential veto will stand between the country and outright printing press inflation. The temptation is great, particularly since it is probable that inflation would work, for it is hard to believe that the country is so far gone that it would not respond to the stimulus of a flood of cheap money. However it should be remembered that once the money presses go into action it will be hard to stop them. Inflation of that sort feeds on itself. It gorges itself into dissolution.

For the fear of what may come, all thoughtful

observers will pray for success for the legitimate and less hazardous course of inflation the Federal Reserve has embarked upon. At the worst it can do no harm, it may be just the treatment fear-paralyzed business needs; at the best it may turn the tide to better times.

PAYING IN GERMAN BONDS

IT APPEARS that the first inference that the omission of an item for meeting the war debt payments from the British budget indicated a deliberate intention to default was erroneous. But the fact is not entirely pleasant reading for Americans. It appears that the Allies have hit on the ingenious scheme of paying us with bonds secured by the German government railways. That will bring Germany and the United States into direct relations in settling reparations. The Allies will step out of the turbulent picture and we will succeed to their troubles. It will relieve them of the troublesome questions of finding gold with which to pay us or of parting with it. They will keep their cash and we will get the trouble. We decline with thanks.

DODGING THE FACTS?

THE proposed solution of our foreign debt tangle advanced by former Governor Alfred E. Smith has been greeted with a widely divergent response throughout the country. The Smith suggestion is a "purchase bonus" plan, under which for twenty years 25 per cent annually of the amount of our goods purchased by foreign debtor countries would be credited against their debts. That this plan is practical is open to serious question. Many economists believe that as a creditor nation, we can not both enjoy an export trade balance and collect our debts. The essential difficulty is that Europe has not the means to buy from us except through an exchange of goods. This difficulty is recognized in the very interesting debt plan recently suggested by Bernard M. Baruch in this Magazine. Mr. Baruch points to certain classes of products which we have to import and suggests that the debts be paid in these. The gratifying aspect of Mr. Smith's statement is that at least one man in the political limelight has the courage to face and deal with the delicate issue involved in the debts. It is time for governmental leadership to assert itself. Dodging the issue and postponing the solution will only prolong the depression.

RETRENCHMENT IN GOVERNMENT HAS STARTED

THROUGHOUT this country an orderly rebellion against high taxation and against the maintenance of governmental expenditures throughout depression at the level of prosperity is gradually gathering force. Painful as it may be, this appears an inevitable adjustment, for the public's present income simply will not support former standards. Politicians have been slow to bow to the demand for retrenchment, but they are by no means entirely at fault, since most individuals approve of the general principle of economy but prefer to see its effects confined to the other fellow. It is highly gratifying that in almost every seat of government—local, state and Federal—a start in the right direction has been made. The majority of the large cities have been forced to set their houses in order. Especially notable economies have been enforced in such cities as Chicago, Detroit, Cleveland and Buffalo. Seattle has reduced departmental appropriations by 10 per cent. Pittsburgh has cut its budget by 13 per cent. New York City has been notably laggard, although it has deferred certain new projects. At Washington the ultimate total of economies to be made by Congress and the Administration is yet uncertain, but many appropriations have already been cut and in various departments, notably the Department of Commerce, retrenchment in offices and personnel is under way. Carrying the program to the point of really necessary economy will be difficult and there is no reason to expect that it will be done over-night. The important thing is that the official mind has been focused upon the problem and will continue focused there.

HOLDING COMPANIES DECLINE

NOWHERE in the vast deflation through which we are passing has the destruction of stock market values been as tremendous as in shares of various of the giant holding companies in the public utility, industrial, railroad, investment trust and banking fields. In several conspicuous issues the decline from the 1929 high prices to recent lows has ranged from 90 to more than 99 per cent.

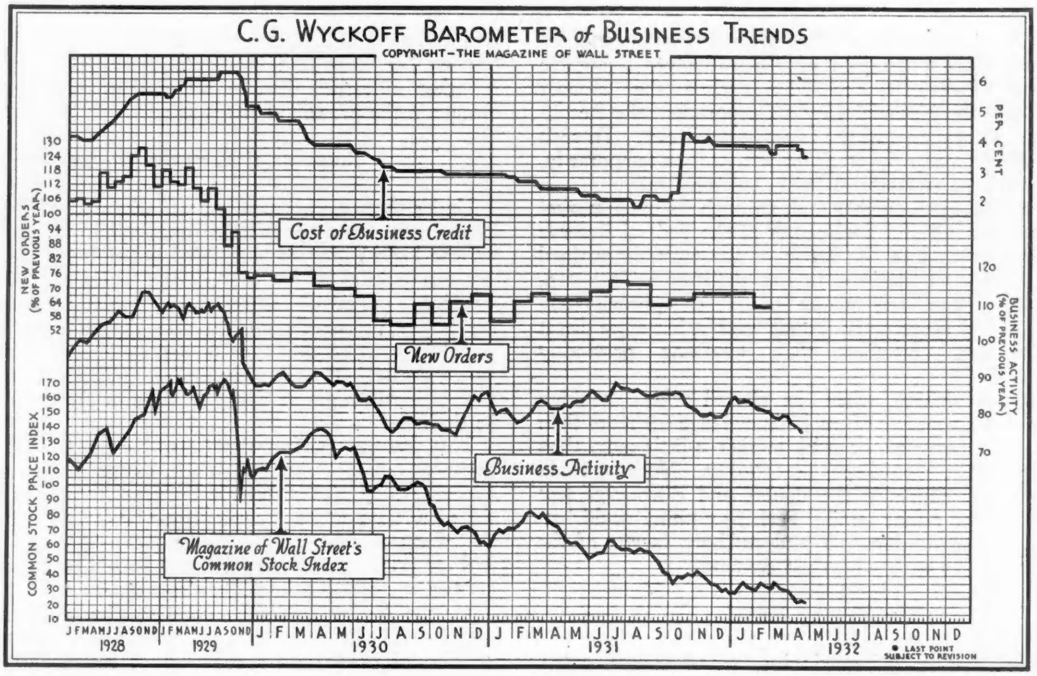
In the case of Kreuger & Toll it is now clear to all that ambition, greed and dishonesty ran wild. The others appear to represent a well-meant but mistaken over-expansion of financial pyramiding on a basis that could have been supported only by an indefinite continuation of the 1929 boom. In its very nature the widely extended holding company pyramid is a fair weather creation. When earnings shrink in depression, little is left for the speculative equities, which are far out on the corporate limb from the root of the earning properties. Whether the lesson points to the need of some more effective form of public regulation remains for the future to reveal. Certainly it should remind investors of the first principle that any security which is not a close claim on the source of earnings involves an inescapable hazard.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 10. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, April 25, 1932.

Taking the Pulse of Business

Business Waits For Banking Stimulus



INSOFAR as bond prices and the Common Stock Index are beginning to show resistance to continued recessions in production and trade it may be said that the Barometer now begins to present a somewhat less discouraging picture; though it would be rather premature to conclude from this that the bottom has already been reached. It is at least gratifying to know that the widely advocated expedient of pumping reserve bank credit into the money market is at last to be given a thorough trial. Time alone will tell whether the present experiment is to prove more successful than similar measures which were tried out last year on a wholly inadequate scale; although grounds for optimism may be found in the fact that purchases by the reserve system of 193 millions in United States securities during the past fortnight have already resulted in a rise of 167 millions in the deposits of New York City member banks. Another immediate effect of the easy money policy, now as in 1931, has been a drop in the Cost of Business Credit, and some of the banks are already beginning to grumble about "starvation interest rates." Present conditions, however, differ radically from a year ago; since there is no longer cause to fear extensive foreign withdrawals of gold: hence it seems probable that the larger commercial banks which have already paid off their rediscounts will gradually gain courage to place a progressively larger portion of their surplus funds in commercial loans and non-government bonds.

Present indications point to a further decrease in New Orders when the next point is entered upon our graph; but as an increasing number of banks begin to employ their excess reserves in making credit more readily available for constructive business purposes we shall witness a gradual rise in the booking of New Orders, with consequent slow recovery in the volume of Business Activity. Such a chain of developments would benefit the banks directly through the higher average rate of return on their funds, and indirectly by a thawing-out of assets. If such is to be the outcome of this renewed easy money policy, one of the first indications of a break in the vicious circle of deflation should be seen in rising prices for railroad, public utility, and industrial bonds, and then recovery in the Common Stock Index from the low levels to which it has gradually sunk.

Can the Federal Reserve Lift the Stock Market?

THE American effort to cope with depression and deflation during the past year has involved a notable series of remedial expedients, such as the "Hoover moratorium," the National Credit Corporation, the Reconstruction Corporation and the Glass-Steagall Act. To each of these developments the stock market, at least temporarily, has accorded the response of brisk, technical rally.

Now we go much further and, through its open market operations, the full and final power of the Federal Reserve System is thrown into the battle in the most determined effort yet made to turn the tide of deflation. This step, represented in purchases by the Reserve of approximately $100,000,000 of Government bonds weekly, has more direct and significant objectives than anything previously attempted.

Yet at this writing, when the altered central banking policy has been a matter of public knowledge for more than a week, the response of the stock market is little more than that of apathetic, even skeptical, curiosity. Nothing could more strikingly illustrate the doubts and discouragement prevailing in the public mind. Perhaps nothing could better illustrate the dead weight and stubborn inertia of the destructive forces with which we contend.

The Testing Period

No intelligent or informed observer, of course, entertained any expectation that the initiation of an aggressive Federal Reserve program to bring about an inflation or expansion—call it what you will—of banking credit would produce an overnight restoration of confidence or recovery of business. The objectives are of broader range, requiring weeks or months of persistent attack. They may or may not be attained.

It is not the season of the year when much can be expected of the stock market in psychological response to stimulants which are plainly marked as such. Traders become more and more skeptical of tonics. Moreover, there is a tendency for purely technical considerations to have less and less influence and for market swings to become more narrow as the depths of depression are plumbed.

It is no longer possible by any stretch of the imagination to maintain that we will yet have even a seasonal spring recovery in business and that its appearance is merely belated. It does not appear to be in the cards. Stimulation of the automobile and steel industries as a result of the introduction of the new Ford cars has fallen far short of expectations. And in other industrial directions also there is no significant change in the prevailing stagnation.

Restraint of Earnings Prospect

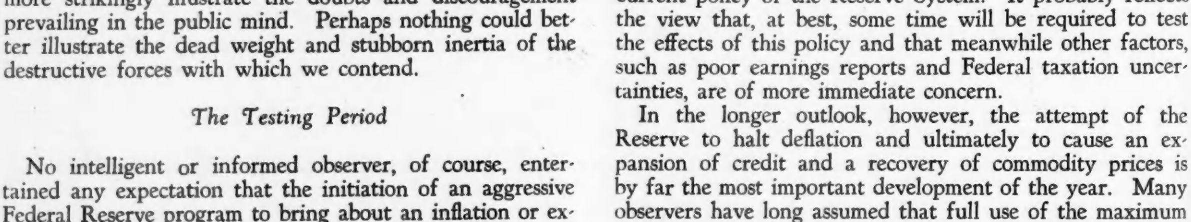
Under these circumstances it is quite natural that speculative interest and speculative hopes should fall to low ebb, for the logical prospect suggested is that substantial recovery can hardly be felt before next autumn. Meanwhile we face a period of months during which corporate earning power necessarily will be at a distressingly low level and during which doubts as to various important dividends will increase. It is largely in recognition of the lower base of earning power that the share market has extended its decline.

This bearish performance can hardly be assumed to represent disappointment in or disagreement with the current policy of the Reserve System. It probably reflects the view that, at best, some time will be required to test the effects of this policy and that meanwhile other factors, such as poor earnings reports and Federal taxation uncertainties, are of more immediate concern.

In the longer outlook, however, the attempt of the Reserve to halt deflation and ultimately to cause an expansion of credit and a recovery of commodity prices is by far the most important development of the year. Many observers have long assumed that full use of the maximum credit power of the Reserve System would be our final recourse. There are several reasons why use of this weapon had to be held in restraint until recently. In the first place, there was a justified fear of the possible exhaustion of our supply of free gold if any considerable credit expansion were undertaken. This danger was removed by enactment of the Glass-Steagall Act, under which the elasticity of the Reserve System has been greatly increased.

In the second place, it was realized that, to be successful, the program would have to be applied with careful regard for psychological timing. It is being launched at a time when bank failures and currency hoarding have been checked, if not halted.

The actual significance of the change is by no means easy to determine. It probably is dictated by a



Open Market Policy of the System in Buying Government Bonds Designed to Stimulate Commodity and Security Prices—Meanwhile Market Continues to Pattern Its Trend on Business Fundamentals

By A. T. Miller

variety of considerations, some of which may not be unrelated to politics and to the approaching national election. It possibly appeared a necessary resort because of the persistence of the banks in continuing the liquidation of loans and investments and because of the demonstrated failure of business to respond to the previous remedial and reconstruction measures. To some extent it can be considered as off-setting the recent growing agitation for currency inflation through means of the soldier bonus. Whatever its chief purpose, it is worth noting that it will materially aid the Government in its heavy financing. Finally, like every other "constructive" measure devised at Washington, it was announced at a time when the security markets had fallen to a new low level.

Can it Succeed?

The success or failure of this program is of vital investment interest, for it may determine whether business is to make the major turn this coming autumn in the direction of revival. Unfortunately, no dogmatic forecast can be ventured by the realistic observer. Traditionally the central banking regulatory weapon has been the rediscount rate. The manipulation of credit through open market operations by the Reserve Banks is a comparatively new thing. It is not a matter in which any scientific knowledge of the outcome is assured. Although it appeared to work successfully in aiding recovery from the 1920-1921 depression and although it checked an incipient depression in 1927 and contributed to the following boom, it must nevertheless be considered as essentially experimental in nature. The circumstances of depression under which it is being applied are certainly not those of 1927, 1924 or 1921.

The theory is that heavy purchases of Government bonds by the Reserve Banks—which means the sale of the bonds by banks and individuals for cash—will reduce the indebtedness of member banks at the Reserve and will greatly increase their surplus reserves. Ultimately these reserves will become so large that bankers will be seriously tempted to put them to use in order that unprofitable idleness of funds may be avoided. In short, it is assumed that banks will be forced, out of the profit instinct, to enter fields of credit which they have hitherto regarded either with fear or doubt. If this theory is correct, banks are expected, first, to become more substantial buyers of high grade corporate bonds, and, later, to become more liberal in extending credit to business borrowers. Thus, a general expansion of bank credit should take root, benefiting commodity prices and, ultimately, all classes of securities.

It is open to serious question whether this is the way out of depression or, for that matter, whether the plan will work. The more conservative school of economists firmly believes that commodity prices are inexorably made by the basic forces of supply and demand, and that any interference with this natural adjustment by means of credit manipulation can only temporarily alter the trend.

The criticism also is made that the present program differs only in degree from that which the Reserve Board had been following, without success, for a year and a half. Throughout that time, partly by abnormally low rediscount rates and partly by more moderate open market operations than are now being tried, it sought to induce banks to call a halt on deflation and to relax the credit reins. The banks, obviously, have been concerned primarily with their own safety and have regarded themselves

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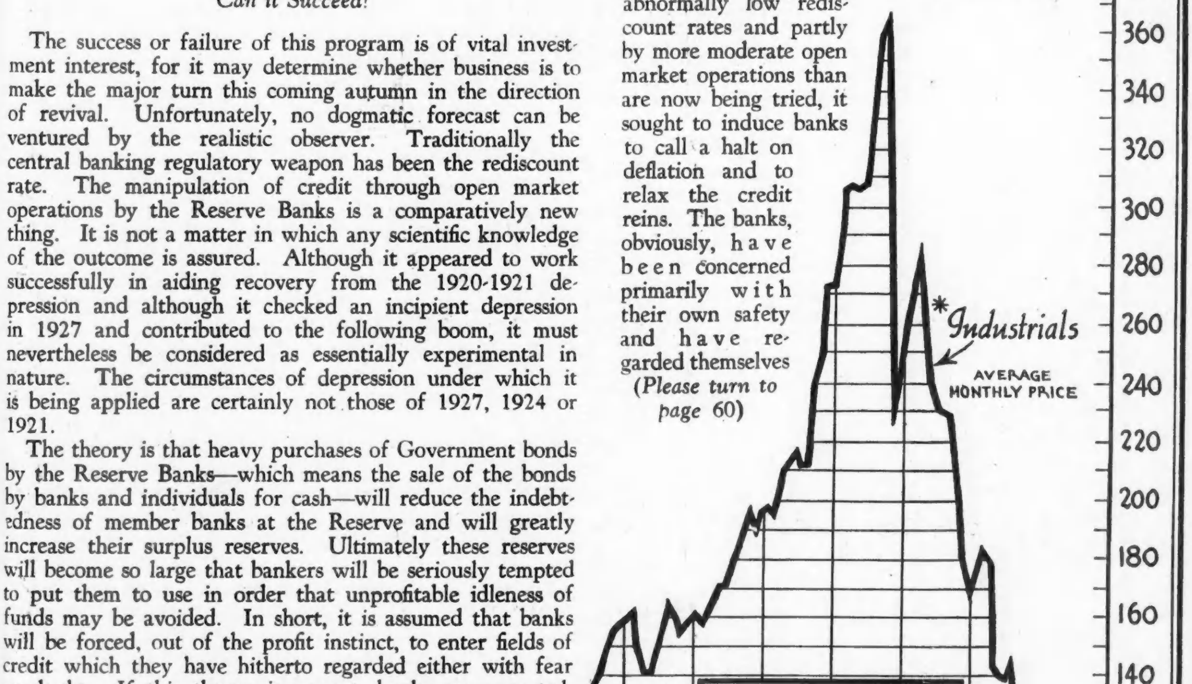

France's Objectives Revealed

The Mystery Nation Among the Great Powers, France Has Built Up Her Military and Political Prestige. Her Gold Reserves Are Now Second Only to the U. S. She Is Pursuing a Devious Policy in Foreign Financing and Colonial Development. Trade Favors to Germany May Be Prelude to Substituting Reparations in Kind for Cash. What Is She Really Trying to Accomplish?

By JOHN C. CRESSWILL

BY a strange freak of fortune the least modern, industrially and financially, of the great nations now holds the steering wheel of the collective destiny of the world. It is a triumph of the old over the new economy combined with a decree of the last court of appeals of nations—war.

The Peace of Versailles left France predominant in Europe in a military and political sense. There has not been a moment since 1918 when France could not have reproduced the Napoleonic regime. In fact, in 1920, she might have reared a military empire greater than Napoleon's, for then she might have overthrown the Soviet rule in Russia and raised there a conservative republic. In one of his rare moments of boastfulness Marshal Foch once declared that with a single French division he could have crushed the Bolshevists once and for all. The knowledge that beyond the Rhine stood the most powerful army in the world has cowed Germany. Perhaps it was the determining factor in the defeat of Hitler for the Presidency. On more than one occasion the swaggering Mussolini has changed his tune as French battalions began to swarm into the Alps. England has had to reckon with French military power in all the recondite diplomacy of the post-war period. Tied to the French army is the military power of virtually all the rest of Europe worth counting, except Italy—Belgium, Czechoslovakia, Poland, Jugoslavia, and Roumania,

France Scores Another Triumph

To her military ascendancy France has amazingly added, since 1925, a politico-economic superiority. Her out-of-date economy has both enriched her and held her gains.

The doctrine of a new economic era never touched France. She quaintly held to the old idea that money was to be made by close attention to small enterprises, and hard work, and saved by penny-pinching. She borrowed little money from America when our financiers were throwing it over the fence on circular-form applications to all who asked. She did not rebuild her cities, except those that were destroyed in the war, she reared no costly sports stadia, went in for no costly schemes for housing the proletariat. Except in iron and steel, automobiles, and, perhaps, two or three other industries she did not embrace mass production and the rationalization of industry. She stuck by agriculture and protected the peasant through thick and thin.

France made no great drives for foreign trade, but thriftly mulcted the tourists; she concentrated her overseas commercial ambitions on her colonies, she kept her population almost static, balanced her budget, cruelly cured distortions of wealth and income by reducing the gold content of the franc 75 per cent, and relieved the masses of the nation of the heavy task of paying for the dead-horse of the war. Thus, the war left her with relatively light taxation, despite its terrific cost.

Then the Savers Got Busy

Taking their savings from them by the debasement of the franc and consequent repudiation in effect acted upon the French money-makers as stripping the hive of its honey does upon the busy bee—they redoubled their talent for thrift. While tourists were commiserating with the shabby looking French folk in their dirty, if picturesque, villages and were commenting on the apparent fact that little if any advance had been made in the standard of living in France since the war, Jean Crapaud was restoring his beloved country. His unremitting toil, his simple living, his absorbing love of cash and his ability to keep it, rapidly restored the internal economy of France. Funds that had been deposited or temporarily invested abroad flowed back; and, as France came to be looked upon as the one firm rock of political and economic safety in Europe, foreign funds poured in. Foreseeing, perhaps, the gold standard reckoning that was to come the government discouraged all permanent foreign investments except those that were in alignment with its foreign policy, and the Bank of France built up the largest gold reserves in the world outside of the United States. Presently this nation of little farms, cash payments and scant credit, small industries and commercial enterprises, stood forth economically and financially strong in a time of universal weakness.

Powerful militarily and dominant in financial power, the French perceived that their great day had arrived. From that moment the whole thought of forward looking men has been concentrated on schemes to keep France on top, to use the opportune power of the moment to establish her leadership for decades to come. The nation that was for fifty years only a second-rate power and resigned to a modest place in the world turned imperialist and revived the dreams of ascendancy.

Why France Will Not Succeed

That France should be moved to dreams and plans of continued grandeur is understandable; any other nation in her place would be similarly motivated. But it is questionable whether her present commanding position is more than fortuitous and whether she really has the genius or the power to maintain tenure of leadership. This Magazine's European correspondent advises us that France's hold on the pinnacle is precarious, and dwells on certain events and incidents that are probably symptomatic of inherent deficiencies that are incompatible with success in the attainment of lasting world power. The very qualities of caution, subtlety in diplomacy, penny-pinching in finance, sharp trading in international negotiations, which have served her so well, may yet betray her.

She is too nearsightedly practical for imperial greatness. Typical of this defect is the way she dickered for a half point of interest on her cash deposits in New York after Laval had promised President Hoover that France would incontinently stop her dubious attitude toward America in regard to French gold and exchange here, when the pull of Paris on our gold was alarming. We are informed that although it is obvious that France's interest is to support the dollar with the franc, French public opinion has taken a malicious satisfaction in the savage attacks that the band of international money bears with headquarters in Paris has made from time to time on the dollar.

Typical again are the slanderous reports so avidly circulated and believed in Paris that the collapse of the United States was impending, that a great New York bank with a Paris branch had suspended and that a New York international banking house had been denied discount of its paper in Paris. Such pettiness, which glories in imputing misfortune to others, is not the stuff of which empire is built. It is that streak of littleness that has kept France from that grand gesture of conciliation and helpfulness toward Germany which at any time in the last year would probably have set the whole world on the road to recovery.

Already there are indications of the possibility that France may soon find herself in a much humbler position. It is stated that the actual deficit of the budget is 360 million dollars, well camouflaged The rise of England to new economic, financial and political power began to cast a shadow across France's path. It is predicted that impending heavy increase in taxation

Keystone Photo

The French Chamber of Deputies

will cause a part of the French gold hoard to cross the channel. The French electoral campaign is revealing a progressive disintegration of national unity of purpose, growing indifference to "hifalutin'" aspirations and a relapse into insularity. The elections may give the balance of power to the left parties; and, for her ultimate weal or woe, France may turn from dreams of precarious greatness to the modest, sure thing, safe and sane, comfortable if not lustrous policies that befit a home-staying people, with sturdy virtues but without the genius for great world affairs.

There are conflicting views as to the major policy to be followed in keeping France on top, varying from one in which the might of arms would predominate to one in which the massed power of the nation should be concentrated in building up a secure colonial empire closely tied economically to the motherland, the whole political entity to be converted into an intensively developed economic unit based on a reciprocal, balanced trade of manufactured goods and raw materials and foodstuffs. But whatever shall be the ultimate major policy all can travel the same road at present, and every move of French finance, economy and diplomacy is now calculatingly determined with a view to the consolidation of French supremacy. The actual policy is coldly rational and narrowly selfish; it knows no sentiment and ignores both ancient and modern friend and foe. It views the world, particularly Europe, as a chess board on which if she can keep her head France can achieve her ends, which, whatever the ways to them, are security and priority. Both ends are served by primacy in military power and in finance. Power and peace are sought, the latter to be fought for if necessary.

The Rattling of the Francs

For many years nobody has questioned France's military superiority, so it was not necessary to rattle the saber in the pursuit of acknowledged leadership. The economic demoralization of Europe outside of France during the last two or three years presented a splendid background for a demonstration of her new financial power. French finance crushed the proposed commercial union of Austria and Germany, shattered Britain's efforts to save Austria and set in train, thereby, a series of events that brought Germany to the brink of collapse, forced England off the gold standard, and brought to her the greatest humiliation since the American Revolution. Even the United States was given a stinging blow when for a time the outpouring of French and other foreign gold to France, threatened the gold standard. At the same time the numerous nations that are allied with France were strengthened in their attachment by liberal financial relief. The net result was a convincing object lesson to the most dense of the greatness and the mobility of French financial strength.

Having made the demonstration, France agilely reversed her course, extended credits to Germany, and even lost $90,000,000 in arriving, too late, to save the British pound, which she had intended only to shake; and stopped the run on the dollar. On the whole the demonstration was a great success from the French point of view, but had the unfortunate effect of turning world opinion against her. France has now displaced the United States as the most unpopular nation. Just as we were formerly charged with all the ills of the world, France is now the general scapegoat, but her disfavor has not disturbed her course. Her present objectives are:

1. Conciliation of Britain and the re-establishment in some degree of the Franco-British entente.
2. Definite political subjection of Germany and the maintenance of the terms of the Treaty of Versailles.
3. Intimate relations with Japan.
4. Perpetuation of the gold standard in the world.
5. Defense of present economic independence.
6. Vigorous development of the colonies.

Targets of French Policy

The purposes in view in effecting an understanding with Britain are a free hand for France in her European policies; the safety of the colonies, always at the mercy of British naval power; and a coalition of France's money power and Britain's world-wide commercial fabric. The French are money-makers and savers, but they are well aware that they have neither the gift nor the facilities for active and creative international finance. They are quite resigned to commercial supremacy for Britain. They would like to have the British act as their financial agents and investment bankers beyond the seas. They conceive that by such an alliance France can in large measure maintain her present financial lead, and make it both more lucrative and more powerful. England is now engaged in a mighty effort to fortify her international commercial position, both by the creation of an imperial economic entity and by the revival of her trade elsewhere. The French may be naive in doing so, but they believe that French gold can contribute greatly to Britain's ends.

Bitterly as they have insisted on the last cent of reparations from Germany the French prize more highly than the money lasting assurances that there will never be another war between France and Germany. Their narrowly realistic bent of mind causes them to reject any hope of ever effecting a lasting conciliation of mutual good will with Germany. They can not conceive of any possibility of an understanding with Germany that is not based on some sort of compulsion. The reparations club will be held over Germany, even at the risk of a final German breakdown, for the purpose of compelling Germany to resign herself to political insignificance. Germany must be held to military impotence. If Germany will submit France will give her a free hand in economic matters, even assist her in favorable tariffs and in public and private finance.

At this moment France is giving Germany substantial proofs of the future benefits of political submission. The nefarious French imports quota policy is being applied to Germany's advantage at every possible point, and generally at the cost of the United States. Every time a quota is applied

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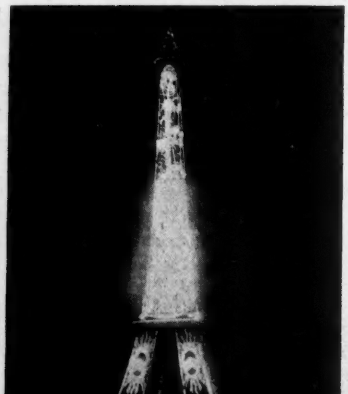
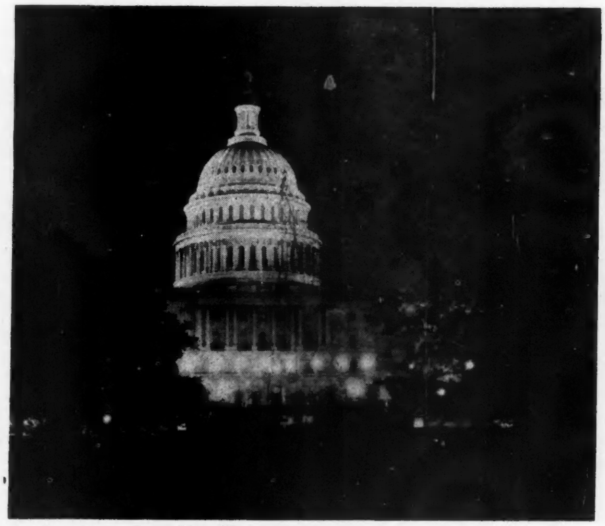


Childs Photo, from Nesmith

Flexible Taxation to Achieve Business Stability

Sound Corporate Practice, Applied to Government, Would Ease the Tax Burden in Adversity, Instead of Increasing It

By HENRY RICHMOND, JR.



Cushing Photo, from Nesmith

THE farmer's income vanishes; his taxes rise. The business man finds profits harder to obtain than ever; his taxes double. No sooner has the salaried worker received notice of a reduction in his wages than he is faced with a larger tax bill. Is this logical? Or, is it desirable that the extremely rare tax reductions always take place just as prosperity is getting out of hand and so add fuel to an incipient boom?

Indeed, such a state of affairs is ridiculous—a system which loads the last straw on the creaking camel's back at one time and presses the accelerator of the already careening car at the other. Yet, at least part of the $14,000,000,000 a year collected and spent by Federal, State and local governmental bodies might well be collected and spent upon a sane basis.

Suppose that the Federal Government were run as the largest corporation in the world which it is often said to be. In accord with sound corporate practice, in times of prosperity a surplus would be laid up, which in times of depression could be drawn upon. Furthermore, increases in expenditure would take place for the most part in times of prosperity and there would be firm retrenchment in times of difficulty. Not only would such a system be in accordance with sound business practice, but its effect as a stabilizer would be of inestimable value. Higher taxation would check prosperity excesses and lower imposts relieve the depressing effect of adversity.

It is true that the Federal Government was working towards this end at the beginning of the present depression when it accelerated its program of public works. Unfortunately, however, its method of carrying out a sound idea was based upon a fundamental misconception. No government for any length of time can continue to spend more and more as the people obtain less and less—an indisputable fact that we are taking a long and painful time to learn.

The success of a government as a business stabilizer depends upon the manipulation of the receiving side of its finances rather than the spending side. Taxes must fall as the people's capacity to pay falls; and rise only as the capacity to pay rises. How could this be done?

Let us suppose that the Federal Government abolished all indirect taxation—consumption taxes of every kind. Also, all confiscatory taxes, such as inheritance taxes and capital gains taxes would go by the board. There would be one tax only—an income tax. It would be paid by everyone and the actual paying would do an additional good in making every individual tax conscious. The man today making $1,000 a year has no knowledge of paying taxes. He merely bewails the high cost of everything. Yet, as a matter of fact, along with everyone else, he pays about a fifth of his income to be governed.

Having settled upon an income tax, broadly imposed, the Federal Government would then fix a series of graduating rates which, when applied in "normal" times, would yield sufficient revenue—say $4,000,000,000 a year. Should business rise 20 per cent above "normal" the rates automatically would be increased 20 per cent. On the other hand, should it fall 20 per cent below "normal" they would be cut 20 per cent.

The trend of business could be taken perhaps from the Federal Reserve Board's index of manufacturing, or some other index thought to better reflect all conditions. But the calculation of "normal" business, depressed business, or prosperous business need not be particularly accurate, for it is an essential part of procedure that errors made in one year be adjusted in the next. In prosperous times, for

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Wheat Outlook Offers Hope for Agriculture and Business

Reduced World Yield, Following Seven Years of Plenty, Suggests Revival of Farm Buying Power—Higher Prices for Leading Grain Due to Increased Export Requirements and Prospect for Only Normal Carryover from 1932 Crop

By George L. Adamson

AGAINST the immediate backdrop of a small pit within the spacious new $22,000,000 Chicago Board of Trade Building, a hundred gladiators in modern attire are waging one of the bitterest pitched battles in the history of wheat. The moot question is whether wheat at as low as 1 cent a pound is, or is not, definitely on the bargain counter. Not only at Chicago—the world's speculative wheat headquarters—but at Washington also, where high Administration mailbags have been crammed daily with varied proposals, mainly from urban interests whose belief is that the trade revival must stem from the soil, rises the cry for a commodity price tonic.

And nature has answered the plea. European home supplies are running short. The Continent must import greater quantities of wheat. Russia's Five-Year-Plan for wheat has encountered physical problems that even a Stalin cannot solve with increased exports, save by starving the producers. Argentina and Australia have smaller crops, and 85 per cent of their exportable surpluses will be cleared by July. To top this, current lack of moisture, and wind and dust storm damage, have shaved estimates of the prospective United States winter wheat crop, to be harvested in July, 42 per cent from last season's bumper output—to the smallest figures since 1925. Moreover, damage since that date may have cut the crop about 60 per cent from last year's figure.

In short, almost overnight wheat "turned the corner." After seven years of "fat" crops, which have resulted in accumulated swollen surpluses, the world faces—if biblical lore is to guide the prognosticator—the first of seven "lean" years. And small crops normally portend an era of rising staple prices, provided of course that consumptive requirements hold around normal, as they have in wheat throughout the present economic stagnation.

From humming La Salle Street wires in the great Chicago pit, through to the farmers in the wheat belt, via trans-Atlantic cables to the Continent and Orient, the word has passed that "a bull wheat market is in the formative stages; agriculture will head the procession to normalcy."

And how will wheat lead the way back? There are 120,000,000 people in the United States, and the census of 1930 shows a farm population of 30,447,550. Wheat prices have recently swung up about ten cents a bushel from the 44.2-cent average March farm level at country stations. A further 10-cent gain would not be outside the range of probability, particularly if there should be any damage to the Northwest and Canadian spring wheat crops. Thus the farmer's buying power would increase roughly 50 per cent. One of every four potential purchasers is a farmer. He needs new farm machinery, possibly a car, a radio, clothing.

A Contrast With Pre-War Levels

PRICE OF WHEAT AT COUNTRY MARKETS

(Cents per bushel)

March, 1932	44.2
February, 1932	44.0
March, 1931	58.3
March average, 1910-14	88.9
5-yr. aver. Aug., 1909, to July, 1914	88.4

Industrial producers of these necessities have reduced prices of their goods to levels at which in the average case small but substantial profit margins can be established only on a large scale turnover. But buying volume is small, and plants and machinery belonging to producers of sound merchandise lie idle. Return of the farmer's buying power through increased staple prices will restore activity and stimulate re-employment. The automobile producer, for example, will be forced to restock his factory with more steel and will place more orders with his parts company. Those re-employed workers, in turn, contribute further with their earnings towards the revived buying power.

The Department of Agriculture estimates that the exchange value of the farmers' products for commodities usually purchased for farm and farm home use is now about 44 per cent below the 1929 value and about half of what it was before the war. Agricultural economists have long battled over whether a large crop with low prices is not to be preferred to a small crop with relatively higher prices. The argument for large crops, hitherto accorded general economic preference in the East, has been impaired by the recent large crops, which in most cases have barely provided sufficient money to pay taxes and reseed a new crop.

In the last crop, prices were in many cases not sufficient to warrant some farmers replanting. Thus the acreage was reduced sharply.

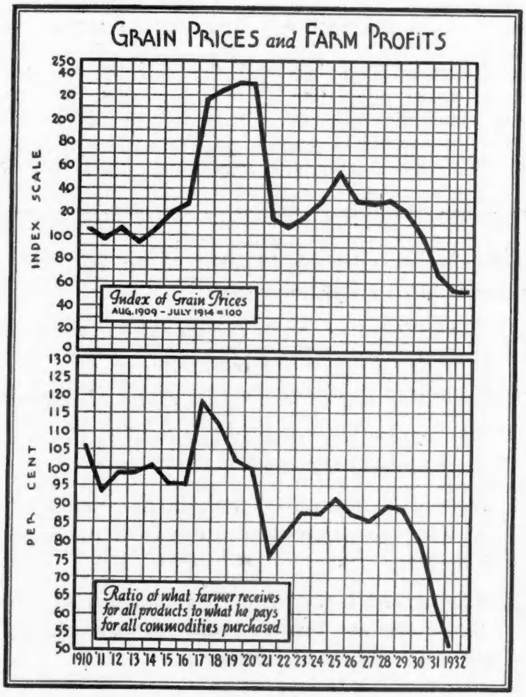
Higher prices for the current crop, however, would be of direct benefit to the farmer. During the current crop year, Chicago has always been far over a world export parity, thus prohibiting extensive private wheat exports. The only American shipper of importance has been the Federal Farm Board. The government agency, with wheat at seaboard ports and suffering from financial difficulties, has sold regardless of the fact that Chicago prices were and still are 15 cents over Liverpool. The Farm Board by shipping, lost only the shipping and freight charges; the latter had already been paid as the wheat already had been transported to ports.

Much Wheat Still on Farms

Thus, the American farmer retained a good portion of his surplus 1931 wheat on the farm rather than sacrifice it on the world markets at prices which would not yield him enough to pay mortgages. This wheat remains on farms, particularly in the Southwest, and will be the wheat cleared for export in the event that the forthcoming total wheat crop from the United States does not yield more than domestic needs of about 700,000,000 bushels. It will bring the farmer considerably more, undoubtedly, than if it had been sold last summer. Storage costs have not been absorptive, as farmers have constructed temporary shelters in barns, etc., for the grain. Higher wheat prices inevitably at least would restore the exchange value of the farmers' products for commodities purchased for farm and farm home use to a more suitable basis.

History records that as far back as 300 B.C., Grecian grain traders were haled into a court of justice. There, political orators—at the behest of the city voters on one hand who wanted cheaper bread, and of farmers on the other who wanted more money for their grain—howled lustily for the offenders' blood. And got it! The grain traders were all summarily led to the beheading block.

Since that time, any class that has stood as the thankless middleman between the producer and consumer of any nation's breadstuffs has been in for trouble. To the number of targets now under general fire with the grain trade may also be added the Federal Farm Board. This government agency was unwise enough to flaunt the immutable laws of supply and demand in an effort to aid the producer. It ultimately accumulated for its pains only a surplus, which while being liquidated steadily at the present time, and thus lessening the Board's market influence, still constitutes one of the most important stumbling blocks to advancing wheat quotations.



Surveying the vast mythical banked ampitheater in which the jousting grain traders arbitrate values, there are seated on one side wheat growers from the United States, Canada, Argentina, Australia, Russia and the Balkans, surplus producers all, whose world export price received is normally predicated upon the price of wheat at Chicago, the world's premier market. They cheer soaring markets.

On the other side of the coliseum are unitedly massed the other side of the wheat picture—230,000,000 wheat consumers from western Europe who take about $3,000,000,000 in food supplies annually, and countless millions from the turbulent Orient, all of whom must depend, in part at least, upon the bounty from the soil of the first named nations to feed hungry mouths. They greet advances with lusty howls.

Yield Up 32% in 15 Years

Because during the past 15 years the world wheat production has swollen about 32% and the wheat consuming population only 10 per cent, an enormous oversupply has accumulated. This, rather than the work of the grain traders or even the misguided Farm Board machinations, has enabled the consumers to hold the whip hand over prices for the main portion of that time. They have held it practically uninterruptedly, with the exception of one interval last fall, for the past four years.

Governmental stabilization efforts and pleas to farmers to reduce their acreage of wheat were utter failures. They continued to maintain a "let George do it" attitude. It has remained for a protracted period of unprecedently low prices to force the marginal producer out of business. This was evidenced first in Argentina and Australia. This was only natural, as farmers in those two countries had been compelled to accept the world price, whereas American farmers had been slightly better off temporarily as they sold their wheat "into the bag" the Farm Board was holding with its offer of prices stabilized as much as 35 cents over world parity.

Australia harvested a 175,008,000-bushel crop on 13,990,000 acres in December, 1931, compared with a record bumper 213,267,000-bushel harvest on 18,212,000 acres in the preceding year. This should permit an exportable surplus of about 126,000,000 bushels from the current crop. Exports from the 1930-31 crop were 165,000,000 bushels. However, with the United States out of the export arena, owing to the disparity of the Chicago market, both Australia and Argentina have been shipping heavily. The Commonwealth cleared 78,713,000 bushels between December 1 and April 15, compared with 77,224,000 in the previous season. There are, therefore, only 47,287,000 bushels remaining out of the season's exportable surplus, while a year ago 87,776,000 bushels were still available.

The current Argentine crop of 225,924,000 bushels was harvested this January on a reduced 17,295,000 acres. In the preceding year, the output was 235,960,000 bushels on

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> ¶ *"Having for the first time since mankind became an economic being, triumphed in the age-long aspiration to produce enough, we despair of the future simply because we have difficulties in getting need and its objects together."*

Is This Something New In Depressions?

A Thought-Provoking Diagnosis After Three Years

By THEODORE M. KNAPPEN

PEOPLE who think that the economic finis—the passing of an epoch—has come will not need to crowd their mental processes to a fatiguing degree if they will turn back the hands of time forty-six years and consult the first annual report of Carroll D. Wright, first Commissioner of Labor of the United States.

In those days, that is between 1873 and 1896, it was hard to tell whether the country was in or out of a depression. Generally it was in a depression. Every once in a while a year or two, or maybe a few years, of good times would creep in, but owing to the scattered population, diversity of interests, lack of uniting communications and swift transportation, the tail of the last depression was generally thrashing around in some part of the country when the malignant head of the next one was gnashing its teeth in some other region.

It appears that an in-between crisis was making life unpleasant in 1886. A lot of people began to think that it wasn't worth living any longer and that, anyway, in the broad world economic sense, it was about over.

Overproduction (sic) had brought prosperity to an end forever, said the learned and authoritative Wright.

"Foreign producers of manufactured goods have gradually lost the American market," he wrote, "and the American producers have gradually found themselves in position to supply the home demand. Stimulated in this direction, the United States has gone on perfecting machinery, duplicating plants, crowding the market with products, until today this country is in the exact position of England, with productive capacity far in excess of demand, and her industries, as those of Great Britain, stagnated, the wages of labor reduced, prices lowered, and the manufacturers and merchants trying to secure an outlet for surplus goods."

At that time the annual per capita wealth production of the U. S. was less than $200.

Wright looked all over the world for relief and could find none. Railroads had been over-built in all countries; Suez Canal, eighth and last wonder of the world, had been built; telegraph and cable lines there were in abundance. It was possible that the discovery of new processes of manufacture would act as an ameliorating influence, but, alas, there was very little room for anything like the marked extension which had been witnessed during the past fifty years—that grand age, gone forever. There was just a chance that there would be some further intensive development of industry in "the present area of civilization," but no chance whatever of extensive development, except the Far East, Australia and South America.

"The day of larger profits is probably past" and "the market price of products will continue low no matter what the cost of production may be," Wright moaned, and all the economic pundits of the day solemnly said Amen, for who could deny that he spoke the truth?

Looking back over the preceding 50 years, Wright thought they were rather idyllic; but economists who flourished during that half century and in still earlier times, did not consider that they were exactly immersed in a golden age. After the Napoleonic wars the world, according to the records of the current chroniclers, was

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Some economists hold that there will be no return to prosperity, because:

1. ***There is no room in the world for the extension of capitalistic enterprise.***
2. ***Invention has exhausted its economic capacity.***
3. ***The capitalistic system has broken down this time beyond recovery.***
4. ***Narrow nationalism forbids the exploitation of whatever opportunities for extension there may be.***
5. ***The world is turning to socialism, in which there are no profits—and no prosperity, as we understand the term.***

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shrouded in business gloom soon after the fireworks of victory ceased to glow.

Ten years later Macaulay, endeavoring to cheer his countrymen in another slump (historically analogous to the present one) admitted that the moment was one of great distress but reminded them that they had recovered from "the greatest war in all history—taxation, such as the most heavily taxed people of former times could not have conceived—a debt larger than all the public debts that ever existed in the world added together—the food of the people studiously rendered dear—the currency impudently debased, and improvidently restored." But Macaulay was full of hope—he knew that prosperity was just around the corner—and it was.

The End of All in 1837

Skip over seven years and take a look into 1837. This time the pessimists knew for sure that the dismal and horrid end of all things had come. Every bank in the country, outside of New England, failed before this business earthquake was over. The country had just gone mad over its tremendous growth in population, the inspiring westward expansion, the amazing development of manufacturing machinery and its first sequence of intoxicating prosperity. States, cities, municipalities and individuals spent money recklessly and fantastically. Highways, canals, railways, factories, new cities, appeared on every hand. Banks multiplied and multiplied. Prices rushed madly up; the circulation of money per capita doubled between 1830 and 1837. "Western lands," says James Truslow Adams, in his thrilling new book "The Epic of America," "on which in 1830 a lender might have hesitated to lend a thousand dollars, seemed by their prices to warrant double that by 1837."

Such was the explosive mixture which blew up with a dreadful shock in May, 1837, and once again definitely destroyed all hope for any further prosperity. The banks either failed or suspended specie payment. All the western, southern and some of the northeastern states found themselves buried under colossal bond issues for improvements without regard to economic value. Public as well as private credit was prostrate. Adams says that in North Carolina the selling price of farms was only 2 per cent of their supposed worth. In Mississippi slaves which had cost twelve to fifteen hundred dollars each were offered for two hundred dollars cash. Practically the entire property of the state of Alabama changed hands—and 50% of that of the United States.

New York was described as like a dead city. The rich lost their fortunes and the poor were absolutely destitute. By the fall of 1837 nine-tenths of all the factories in the eastern states had closed, and 50,000 men were out of jobs in the shoe trade in Massachusetts alone. Owners of land were overwhelmed with debts which they could not pay. It took two years for the full effects of this visitation of divine wrath to be fully felt in the West and five years before the nation began to recover. The business disorder was declared to have produced a wider desolation "than the pestilence which depopulated our streets, or the conflagration which had laid them in ashes." Well might the New York *Courier and Enquirer* say: "We begin to despair of the Republic."

Knocked Out Again

Nevertheless, the Republic was still going so strong that it could come back with a rush and afford another panic in 1847. But that was only an introduction to the real stem-winder which came, on time, twenty years after the final terminus of prosperity in 1837.

"It is a gloomy moment in history," declared *Harper's Weekly*, October 10, 1857. "Not for many years—not in a lifetime of most men who read this paper—has there been so much grave and deep apprehension; never has the future seemed so incalculable as at this time. There is universal commercial prostration and panic, and thousands of our poorest fellow citizens are turned out against the approaching winter without employment, and without the prospect of it." Think of the future being "incalculable" when the United States was barely started in its industrial career!

But worse was yet to come. Along came 1873 and its famous crime against silver. Jay Cook and the meteoric Northern Pacific blew up. Jay Gould turned out one panic after another and even plotted to kidnap the President of the United States and lift the nation's entire gold reserve. Three million men were out of work, there were riots and mob violence—and the population of the country was then only thirty million, which meant that every tenth person in the country was unemployed, although half the people were proprietors. *Nothing even remotely comparable to this condition exists at the present time.* Eighty-nine railroads went into the hands of receivers and half a million railroad laborers were thrown out of work. At one time all but three of the country's 705 iron and steel plants were closed down. Commercial houses went down like dead timber in a cyclone. Bank runs and failures were common. Specie payments were arbitrarily controlled by all banks. Securities fell so fast that the stock exchange was closed for ten days.

Somehow in some inexplicable way the country which had so many times been killed, ruined, destroyed and otherwise disposed of, suddenly leaped gayly out of the 1873-79 business woe, pulled off another spree in the early eighties, dived into despair again in the middle eighties, climbed up again and took, in 1893, another wild leap to ruin. The springboard for this leap of leaps was placed in 1890 or thereabouts.

"A great poverty and depression," says Woodrow Wilson, in his History of the American People, "had come

Economists who contend that this is merely another cyclical depression, say:

1. ***Fundamentally it is no different from many preceding depressions which have been hailed as final breakdowns of modern economy.***
2. ***It was inevitable and terrific, but merely a cure for the evils that preceded it.***
3. ***As for room for extension, there are three continents to populate and develop.***
4. ***Intensification of production, distribution and consumption has almost unlimited fields in the old continents.***
5. ***Invention can go on indefinitely, thereby creating new desires and new services, and the means to gratify one and employ the other.***

upon the western mining regions and upon the agricultural regions of the West and South. Price had fallen, crops had failed. Drought had swept the western plains clean of their golden harvest. Farmers in the districts most stricken could not buy as much as clothes for their backs and went clad in sacks into which they would have put their grain had they had any, their feet wrapped about with pieces of course sacking for lack of shoes. Men of the poorer sort were idle everywhere and filled with a sort of despair."

It was estimated that 5 million people were jobless for a time. All the large cities and manufacturing towns teemed with unemployed workingmen "who were with the utmost difficulty kept from starvation by systematic efforts of organized charities." In the spring of 1894, Wilson tells us, armies of the unemployed began to gather in the western country for the purpose of marching upon Washington, "like mendicant hosts to make known to the government itself, face to face, the wants of the people. Countrysides experienced a sort of panic at their approach. It began to seem as if there were no law or order in the land. Society itself seemed demoralized, upset."

Money disappeared, people hoarded and hid it. It was declared that the burden of debt had become "unbearably heavy by the depreciation of sound money. The decline in gold production (sounds familiar) united with world overproduction (there you are again—overproduction!) to lower the prices of farm products to ruinous levels. (Ever hear anything like that recently?) The droughts continued for nearly ten years, but to the consternation of the wretched farmers, the less they raised the less they received for it. By 1889 farm mortgages had increased to the astounding total of 1,086 million dollars. There were whole counties in which, according to Adams, 90 per cent of all farmlands were under heavy mortgage. Prices fell and fell. This agony, with a cheerful peak now and then, continued up until 1898. Falling prices had become a habit and a creed.

Then, in 1898 Joseph Leiter ran a corner in wheat in the Chicago pit, demonstrated that prices could be raised, changed the psychology of the nation and we were off again for another run of prosperity. The gold mines of the Transvaal came in with their golden flood and prices ran up an escalator, over some sharp bumps in 1904, 1907, 1914 and 1919, that knew no final summit until 1920. Then came the immediate post-war crash, six million men were rendered jobless, failures were general, commodity prices crashed as never before or since in our history and all the wise and gloomy prophets concurred that the disaster was so great that *at least ten years would elapse before recovery would even begin.* At the same time observers sent to spy out condition of affairs in Europe reported lengthily and elaborately that there was no possibility that Europe could recover in a generation.

And now we are here, in 1932, at the end, the last great undeniable, unmistakable, irretrievable end of all, despite the fact that Europe has made up all its war losses and has attained the highest standards of living it has known in the age of money economy. Surely, after having come back about ten times in a hundred years, when we shouldn't have, this time we absolutely shall not come back. We are going to stay down and out and have a grand time doing it. The despairful soothsayers will have their way this time!

However, it does not suffice to say that because we have always come back before we shall unfailingly do so this time. What has gone before, with all its similarities and analogies to the present, may well be cited, however, to show that it is questionable whether business is now met at Armageddon for the last great bust of all.

Our fathers and our forefathers, it is explained, were wrong when they thought they had reached the end of history's supply of prosperity, because they didn't know what they were talking about. There were still reserves of prosperity that they had overlooked. But we are better informed than they. This time, truly, we are assured, the depression is no rhythmic return of lassitude to a world that has not learned moderation. Henceforth, say the Jeremiahs, there isn't enough for the world to do to keep it prosperous.

This writer is willing to concede that in some respects the present time is worse than other cyclical depressions, although in others not so bad. Wherein it is worse, it is so because greater heights of prosperity were achieved in the past decade than ever before. But it is nothing more or less than the same sort of disaster that has recurred ever since the world entered the era of mechanization. We master production more rapidly than we master trade—exchange. We accumulate wealth faster than we can utilize it. Economists, even novelists, were dwelling on that fact seventy years ago. Having for the first time since mankind became an economic being triumphed in the age-long aspiration to produce enough, we despair of the future simply because we have difficulties in getting need and its objects together. We talk of over-production when the problem is really, in the mass, under-consumption. And that actually means in the large that the world as a whole is not producing enough. Who will say that an annual per capita production of wealth in the United States of $750 is genuine overproduction?

These great business depressions are simply the harsh penalties of disorderly economic life. We shall have them always until we change our reckless ways. Not being able to keep the body economic in balance as we go along we have to resort to the fast-cure and the rest-cure. When we take the cures we tend to overdo them. Probably three-fourths of our trouble now is habit and momentum of invalidism. We enjoy being licked, we boast of our reverses, we are proud of our old clothes.

Who can doubt that the American people, and all other civilized peoples, are at this moment under-consuming and scrimping? Wealth, itself, is a mixture of emotion and thought with material substance and objects.

Without desire for things they have no value.

The psychology of the economic world now emphasizes the depression of desire instead of the expansion of physical wealth. Witness the trade policy of virtually every nation in the world, which is to restrict trade, both domestic and foreign—to cut down consumption.

We are poor mostly because we think we are poor.

Not that this psychological factor is something to be laughed at. It is very real and sinister. It can conceivably

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Rails Prepare to Meet Truck Competition

Plan for Using Railway Express Agency as Defensive Medium to Be Tested in Metropolitan Areas—To Handle All Short Haul and "L-C-L" Tonnage—Investors Keenly Interested in Outcome

An Authorized Interview with

FRED W. SARGENT

President of the Chicago and North Western Railway Co.

By PIERCE H. FULTON

APPROXIMATELY 3,500,000 motor trucks are registered in the United States. They transport a tonnage equivalent to about 6 per cent of the freight handled by the steam railroads of the country. This percentage is increasing steadily. Contemplation of this situation has been disturbing to the investor in railway securities who, naturally, has noted that this truck competition is directed at the profitable short-haul and less-than-carload tonnage. As generally is the case, onlookers are acutely aware of the menacing aspects of the situation, but are not in position to observe the preparations and plans for defense and counter-attack until they are put into operation. On the business battleground as on the sanguinary field where nations come to grips a successful defense may quickly lead not merely to the recovery of lost terrain but to the extension of operations into new territory. So, while the casual observer may have felt these past few years that the railroads were blind or indifferent to the persistent encroachment of the motor truck—and, furthermore, were accomplishing little either in profitably hauling the less-than-carload business or in regaining other business that had been lost through the development of carload forwarding concerns—it is now becoming apparent that plans have been in preparation for turning the situation to the advantage of the roads.

Since late in 1929 railway executives have learned valuable lessons, and the plans they now are making are based largely on the lessons already learned and those yet to be learned.

It is apparent, even at this early date, that elimination of duplicated facilities and services and unification of those regarded as indispensable, and not consolidation of the properties and corporations are uppermost in the minds of the railroad leaders. It is believed that through the former the best and most logical economies can be effected. These executives realize, furthermore, that in recent years ever-increasing competition has resulted in unjustifiable duplication of facilities and service and in a great amount of costly and largely wasted effort to secure traffic and render service that has not paid.

Blank & Stoller Photo

Fred W. Sargent

In addition to competition from the motor bus and private automobile, competition from the airplane and government-subsidized inland waterways has come still more recently. While this latter phase of the situtiont does not come wholly within the scope of this article, it may be noted in passing that within the past few weeks more progress has been made than ever before toward securing legislation for the regulation of these new competing mediums. Complete Federal regulation of interstate passenger bus operations and Federal licensing of motor trucks engaged in interstate commerce were recommended by the I. C. C. to Congress a few days ago.

Railway executives have cudgeled their brains as how best to meet the appalling losses in traffic and earnings from these various kinds of competition and from the new conditions that have arisen. Their efforts have not resulted until recently in anything definite.

Fred W. Sargent, president of the Chicago & North Western Railway Co., admitted to be one of the clearest thinking and most far-sighted of the well-known railroad executives, has given much thought to a plan for meeting nearly all of these new problems and conditions. In a

word, it calls for the extension of the powers, financial resources and facilities of the Railway Express Agency to "handle all less-than-carload freight, render highway service, where useful and more economical than by rail, perform all transfer service and terminal operations in the large cities, not only for less-than-carload freight, but, in many instances, for carload freight, and to act as a freight forwarding company."

The Railway Express Agency was organized under Delaware laws a few years ago to take over the equipment, other physical property and business owned and conducted by the American Railway Express Co. All of the outstanding capital stock of the Railway Express Agency is owned by railroads participating in its operations and net results. While no official figures have been released it is understood that 10,000 of the company's trucks are now idle as a result of the depression.

The plan for expanding the Railway Express Agency, to which Mr. Sargent has given such careful study, has been discussed, from time to time, and more or less informally, by the directors of that corporation. While a comprehensive plan for extending the proposed new freight service over the entire country has not been worked out and officially adopted, it has been decided to try it out in an area with Chicago as the center, and in a section of New England. Railroads operating in the Metropolitan New York area also have a test under consideration.

Approximately 3,500,000 motor trucks are registered in the United States. They transport a tonnage equivalent to about 6% of the freight handled by the steam railroads, and this percentage is increasing steadily. Furthermore, it is mainly short-haul freight, and, naturally, in the less-than-carload classification.

To combat this competition it is proposed that The Railway Express Agency —

Handle all less-than-carload freight;
Act as a freight forwarding agency;
Perform all transfer service and terminal operations in larger cities, both for carload and less-than-carload freight.

In an exclusive interview for THE MAGAZINE OF WALL STREET, Mr. Sargent outlines the scope of the plan and its great possibilities for better service and larger savings for the railroads. His replies are shown within quotation marks. My first question was:

As you look forward, Mr. Sargent, to the time when the business of this country begins to improve materially and the freight traffic available for transportation increases proportionately, what will be one of the biggest problems of the railroads?

"To get the biggest share possible of that traffic and to handle it in the most efficient and profitable way. If the railroads are to prosper again, they must have a much larger volume of freight traffic and gross earnings. You cannot greatly and permanently increase your net by continuing to reduce maintenance of roadway and equipment. On the contrary, when better times come for the railroads, it will be necessary for the railroads to increase their maintenance expenditures substantially. We railroad men call this 'taking up deferred maintenance.'

"I cannot make it too plain that we must find and put into effect more constructive economies in operation, not merely those largely negative in character, if we are to overcome more fully losses from the new mediums of competition and a general downward trend in freight rates."

In the carrying out of this idea, Mr. Sargent, will not the railroads go after through freight to a greater extent than local business?

"Yes," he quickly replied, "but we want the less than carload and short haul business also. As they are handled now, the second and third of these three classes of freight are not profitable, at least not as profitable as possible. This is largely because of the necessity of duplication of service and the handling of a great number of cars only partly loaded. It is also due to the fact that trucking and forwarding companies have got a large amount of this business away from the railroads.

"I've given the matter much thought and I believe that several services now performed by the railroads, directly or indirectly, could be handled much more efficiently and profitably by the Railway Express Agency. It has handled satisfactorily the express business formerly done by several express companies and later by the American Railway Express Co. There is no reason why it could not do equally well with less-than-carload freight, with the forwarding of freight generally and with the collection and distribution of all kinds of freight in the leading cities.

"Let me give you an illustration of how the railroads are losing large sums of money—I can't give you exact figures—each year from the handling of less-than-carload freight. The roads operate between Chicago and Omaha, for instance, we will say nine merchandise freight cars on their fast freight trains. Generally, they are not nearly full. In all probability two cars could carry now all the freight of that class that is spread out in the 9 cars. You can readily see the saving from operating only the cars actually needed for the amount of this kind of freight available.

"If all the railroads were to put their less-than-carload freight in the hands of the Railway Express Agency, it could operate only the cars actually needed, and through the year divide the business between the various roads operating between two given points. In that way, all of them would get their share and be saved all the unnecessary expense of handling a lot of partly loaded cars."

Mr. Sargent, do you think that the new service of the Railway Express Agency should be limited to the handling of less than carload freight on the railroads?

"No, I do not. I think it should be permitted to collect and distribute freight in the large cities and towns and act as a forwarding company for all kinds of freight. You know that there are freight forwarding companies that began in a small way but which, through consolidation and otherwise, have come to do a large business. They secure big amounts of miscellaneous freight, take it to their warehouses, located at the principal shipping and receiving points throughout the United States. There this freight is consolidated into carload shipments and sorted by rating so as to secure under the published tariffs the maximum profit. The effect of the existence of these companies has been to greatly deplete the LCL or merchandise traffic of the carriers, and has permitted the formation of outside agencies to engage in a very profitable enterprise at the expense of the railroads. There is no reason why the latter should

not have this business, or at least a substantial part of it."

If the Railway Express Agency were to go into the forwarding business, would it not result in the railroads, through the express agency, coming into still more direct and active competition with the forwarding companies and trucking companies? If the agency were successful would it not result in the driving of many trucking and forwarding companies out of business?

One Agency to Handle All

"It would be disastrous for each separate railroad to attempt to go into either the truck or bus business to the extent sufficient in each instance to meet all demands for that class of service. Not only would this be disastrous from the standpoint of cost, on account of operating separate trucks in destructive competition, and cluttering the highways, but it would bring about a complete state of chaos in the transportation industry. It would also disrupt the existing established relationships between communities and industries and be exceedingly detrimental to the shipping public as a whole. It would be much better for all concerned to turn this business over to the Railway Express Agency.

"I do not believe in aiming primarily to drive any class of competitor out of business, but rather to give better service than that of the competitor and thus get my share of the business, and perhaps some of his. Some of the existing trucking companies could be employed by the Railway Express Agency for its new service, or they could be absorbed if the terms were made reasonable. The railroads could turn over to the Agency trucking facilities that they may have acquired.

"Remember that the two chief objects from the point of view of the railroads would be to rid themselves of unnecessary expense in the collection and distribution of freight in the large cities and the handling on the rails of less than carload and short haul freight. Another important object would be to get at least a substantial part of the business now handled by the forwarding companies, and which really belongs to the railroads, and also to meet, in the most effective way, competition from the trucks.

"To perform these new services the Express Agency would need more capital. It would be apportioned to the participating railroads as in the case of the original issue."

Can you give an estimate, Mr. Sargent, of the probable saving to the railroads of the Railway Express Agency performing the various services that you have indicated?

"No, I cannot, in dollars. The railroads do not publish their earnings from the handling of LCL freight alone. There is no way of getting anything like exact figures on the volume of freight of many kinds handled by the forwarding companies and trucks. I do not hesitate to say, however, that the saving would be large. It is a matter of common knowledge among railroads officials that great economies could be secured by heavier carloadings of LCL freight and, in addition, more through set-out cars could be scheduled and LCL freight handled on through fast freight trains, thereby eliminating a great deal of costly wayfreight service."

What do you think is the outlook for the adoption by the Railway Express Agency and the railroads of such a plan as we have discussed, and for approval by the I. C. C.?

"In my opinion, this plan is likely to be taken up actively and studied earnestly by the railroads. I think it will meet with the approval of the I. C. C. and I feel reasonably sure it will be given earnest consideration by all concerned, for I think it has great possibilities. You see it is going to be tried out in the Chicago area."

Have you in mind, Mr. Sargent, any other methods of constructive economies in the handling of freight?

"Yes. In my judgment all private freight cars should be pooled. A company similar to the Railway Express Agency could be organized, with its stock owned by the participating railroads, to own and operate these cars. Let me give you an idea of the heavy losses suffered by the railroads in the handling of business in privately owned freight cars. A company owning such cars directs us to place a refrigerator car at a given point, from which a shipment of perishable freight is to be made. Before there is occasion to load the car a competing private car line gets the business away from the first company and we are requested to place the second company's car at that point. Here is more empty car mileage for the railroad. This is a big item in the course of a year.

Big Saving to Rails

"Don't you see that if a single company, owning and operating all now privately owned freight cars were handling that business, the railroads would have to haul only the cars, whether empty or loaded, actually needed, to carry the freight to be shipped from each point. Here would be another big saving for the railroad.

"I am not at all sure that it would not prove satisfactory and profitable to have all freight cars pooled, but probably this would be regarded as such a radical step that it is not likely to be taken in the near future. We may come to it, however.

"If you want another illustration of what it would mean to have all private freight cars operated by one company, take the Pullman Co. If all the railroads attempted to operate their own sleeping and chair cars, at different times of the year, there would be a shortage and at others a big surplus. Now, we have from the Pullman Co. only what we need at every season of the year."

What do you think of the practicability and possibility of a rather comprehensive unification of passenger facilities

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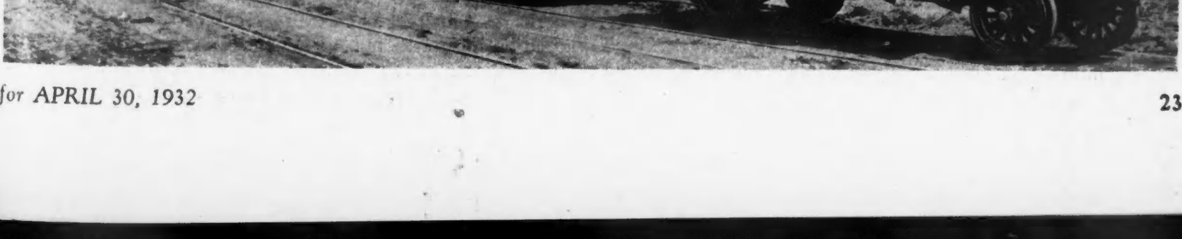
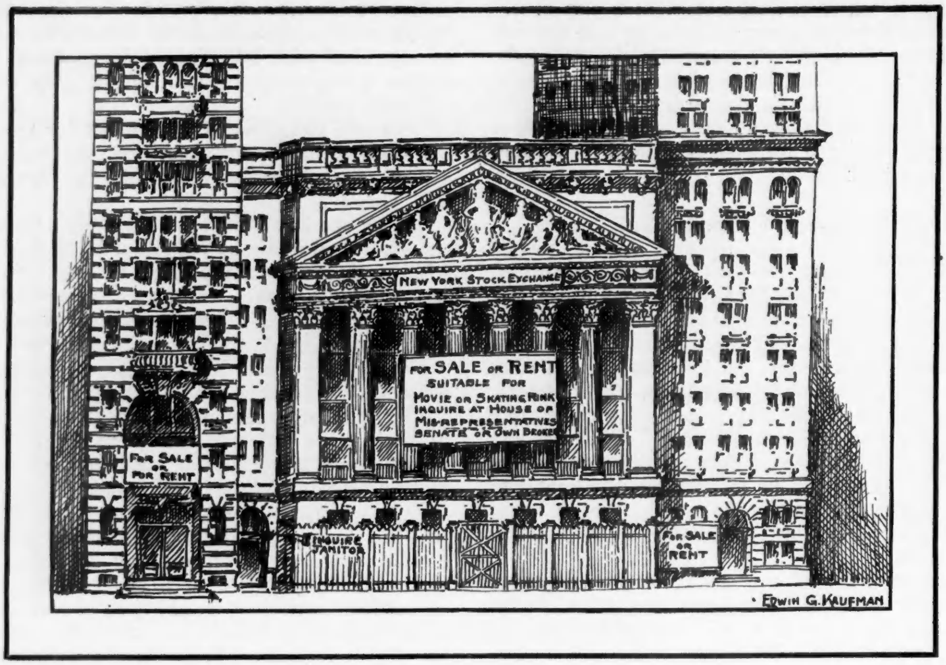




Things To Think

Returning Sanity in Taxation

The high transfer taxes imposed upon stock and bond transactions and the inclusion of dividends within the normal income tax brackets, as undertaken in the patch-work tax bill jammed through the House of Representatives, are generally agreed to have played an important part in the recent extreme weakness of the stock market. Thus, a tax proposal which may at the outside yield revenues of $25,000,000 or $30,000,000 to the Government, has been followed by a decline of several billions in market valuation. Although the Senate, which at this writing is revising the tax bill, is fully as radical in temperament as the House, the difference is that it has the benefit of the object lesson taught it by the action of the security markets since the House proposals were first made. It has become obvious, even to radical Senators, that the suggested taxes are destructive and non-productive. Present indications are that they will be substantially modified.

* * *

Would You Take $100 or 800 Chilean Pesos?

The daily newspapers contain nothing more depressing than the quotations for foreign bonds. Brazilian bonds at 18 cents on the dollar, Chilean bonds at 10 cents, Peruvian bonds at 5 cents and others at similar prices is conclusive evidence of the seriousness of the breakdown in world trade. Are these obligations to be paid eventually? Under present conditions the answer cannot be other than an emphatic "No." So long as we exclude nearly everything our debtors have to offer and pay ridiculously low prices for what we do take, their supply of dollars will continue strictly limited. Nevertheless, the debts could be cancelled in another way and with perfect fairness to everyone concerned. Suppose these foreign governments offered in exchange for their bonds an equivalent sum of money in their own currencies at par. This money to be deposited abroad to the account of the individual bondholder where he would have entire control over it, except that he could not bring it home in dollars, for as we have seen there are not enough dollars to go round. He might, however, lend his foreign currency at interest, buy goods and have them shipped home, or he might take a trip and spend it in the only market where it commands full value, the place of its origin. The merits of such a plan are many. Not only would the American bondholder be paid and the debtor escape the stigma which attaches to default, but some very practical economics would be learnt. Each individual investor would discover for himself that the only way that one country can pay another substantial sums is in goods or services and no longer would there be the present misunderstanding of the War Debts and Reparation problems. Furthermore, the wide application of the plan by making it unnecessary for a world to sacrifice its all to obtain dollars would relieve the pressure on the great staple commodities. The price of these might even rise. If they did, one of the greatest obstacles to general recovery would have been hurdled.

* * *

The Rising Cry for Retrenchment

It has been evident for many months that the 14 billion dollars a year spent in all forms of government in this country constitute a back-breaking load out of all proper relationship to the public's reduced income. The great mass of American citizens have been slow to realize that govern-

ment has only the wealth it takes from the people. Politicians have been still slower to face the facts. Fortunately, the business men of the country are beginning to speak their minds in no uncertain tones and to demand action. One of the most effective pleas is that of Lammot du Pont, president of E. I. du Pont de Nemours & Co., who in a letter to the thousands of stockholders and employees of his company points to an increase of 63 per cent in the expenditures of the major Federal departments and commissions since 1927. Mr. du Pont argues that high taxes are strangling business and demands that the Federal Government reduce expenditures through efficient operation and the curtailment of non-essential services. A similar plea has recently been made to a wide radio audience by Frederick E. Williamson, president of the New York Central Railroad. Millions of Americans are stockholders in large corporations and other millions are employed by such corporations. A definite campaign among these classes by leaders such as Mr. du Pont and Mr. Williamson can scarcely fail to get results.

* * *

Inventories in Depression

Of all the items contained in the average balance sheet, with the sole exception of cash, there is none more eagerly examined in a time of depression than inventory. This is because it is recognized that a large stock of high-priced

About

goods is the shortest and quickest road of all to bankruptcy when prices fall. Yet, in order to stay in business any company must have something to sell and this perhaps is the reason why so many companies have failed to report any remarkable decrease in their stocks on hand over the last year or two. Some sixty corporations reporting as of December 31, 1931, showed dollar-inventories reduced but slightly more than 15% from those at the end of the previous year. Taking into consideration that representative indices of wholesale commodity prices fell about 18% during the same period, it would seem that the reduction of inventory volume had not been as great as is popularly supposed. There is, however some offsetting evidence to this rather disquieting supposition. The quantity index of manufactured goods' inventories published monthly by the Department of Commerce registered a decline of about 8% in 1931, while the Federal Reserve Board's index of department store stocks fell about 15% in the same period. Nevertheless, in view of the drastic general decline in sales volume there is reason to believe that the inventory position of American business still could be materially improved and prospective stockholders would do well to watch for adjustment in individual instances.

* * *

Keep the Philippines

Forty minutes of debate and forty votes against it was all that the House of Representatives could give to the question of cutting loose the Philippines.

Thus summarily and decisively did that body vote to mutilate American territory; declare for the undoing of thirty-four years of history, for the consignment of fourteen million people to the rule of a group of shallow politics and for nailing up our doorway to Asia. The worst of it is that the casual attitude of the House is about that of the masses of our people.

If this retreat from national responsibility and opportunity were animated by lofty principle it would not be so bad. But the chief motivation is the selfish interest of a few thousand American producers of sugar-beets, the trifling competition of copra with home products, and the American owners of Cuban sugar plantations. If the fate of the Philippines is to be determined by the considerations of American economic interest, the argument is overwhelmingly in favor of keeping them. They are our trade key to Asia, Asia, the vast, populous and commercially undeveloped.

If the decision is to turn solely on the interests of the Philippine people, the answer is as plain. They are not ripe for independence. To cut them loose now would be one more crime in the name of Liberty. They are not yet competent to decide the question for themselves. Another and wiser generation may force retaining the American connection. To let them go now in the name of the overworked doctrine of self-determination means their economic and cultural recession, tyranny, civil war, foreign involvement and, probably, eventual annexation by Japan.

* * *

Another Blow for Reciprocal Trade

A company has been formed to develop energetically the potash deposits of Texas and New Mexico which the Geological Survey has been patiently exploring and blocking out ever since the war revealed our dangerous dependence upon foreign supplies of that important agricultural, chemical and military material. Germany had a monopoly of developed, even of known large, deposits. One of her scientists boasted that in a long war lack of potash to renew the fertility of the fields would starve the allies out. We took a chance on the fields holding out for a few years, scraped up enough potash from superficial deposits in saline lake beds to serve military requirements, and set out to investigate the southwestern underground deposits. It is asserted that all domestic requirements can now be easily supplied. That means an end to imports from Germany and France—one less commodity that was acceptable because non-competitive, which could be exchanged for American goods with mutual advantage. Let us hope that the prospectors and the inventors will leave our foreign friends with something to sell that we would like to buy.

* * *

Help for The Railroads

The 2-billion dollar total fund of the Reconstruction Finance Corporation would have to be made elastic to meet all of the suggestions being advanced for its use. The latest proposal made to Washington is that the Corporation lend money to the railroads in order that they may buy in their own bonds at the substantial discount now prevailing in the market and thus reduce indebtedness and bolster their credit standing. The bonds thus accumulated would be accepted by the Government as collateral security for the loans. The advocates of this proposal contend that it would provide a rising market in rail bonds, and that this would both restore public confidence in railroad credit and at the same time establish market conditions under which "necessitous liquidation of railroad obligations could be effected." Undoubtedly such a plan would be very helpful to the railroads but it might not be very helpful to the Government or the taxpayer. Why should public funds be used to absorb "necessitous liquidation" of railroad bonds?

Removing the Gold Obstacle from International Settlements

If Buying Power Supplanted Currency Values Foreign Trade and International Settlements Would Be Freed from Inequalities Which Arise from Price Changes and Fluctuations in National Monies, Investment Values Would Be Stabilized and the Incentive for Inflation Eliminated

By E. J. Martin

WORLD commerce flows on a stream of symbols—signs of the dollar, franc, pound, mark. Before that stream ran into the narrows of the depression and became turbulent and broken, commodities and services went in exchange for paper which recorded amounts of precious metals in national coffers. Metals useless in themselves except as trinkets,—metals whose only value rests on their comparative scarcity. Upon that scarcity was placed the credit of the world—the stability of its monies. On the even distribution of those metals among the nations of the world depended the values of their several currencies.

Financiers and business men are not interested in gold and silver as such. Were they equally scarce, copper or lead would be as acceptable as a basis for money. In other words, between gold and silver and commercial paper there is no natural, no essential bond other than that those metals offered a value seemingly more stable than other substances, and in addition are relatively indestructible.

Our commercial system, then, rests on a foundation in which it has no actual interest. Rather it floats above that foundation, teetering in the shifting winds of finance, moored insecurely by dozens of national symbols.

Recently some countries in this credit structure have adopted policies of inflation, and as a result their money has floated off its foundation. Many of them are important nations and the commerce of the world is troubled, for gold and silver, the age-old yardsticks of finance, have proved unstable. The bonds of their artificial value which united them to our monetary systems have snapped, and another anchorage is the subject of much thought and consideration.

Because of the complicated machine of international trade that must continue to function uninterruptedly, any new plan must be erected on the cornerstones of the old. Debts contracted under the old plan are yet to be paid. The relative stability of nations continues to vary. Their national coinages cannot be changed. A replacement program must be flexible enough to meet these conditions. And it must provide what neither gold nor silver standards have been able to—an unvarying unit of value on which all monies of the world can be based, and cemented with such natural bonds that neither debtor nor creditor will have cause to complain because of changing price levels and relative money values. It must be a firm core around which the present financial fabric can be molded.

Heretofore creditors and investors have hoped for a dollar-for-dollar return. But the dollar received in 1942 for a loan or investment made in 1932 may buy only half what it

How the Unit of Value System Would Protect Creditor and Debtor in International Transactions

In the following example of the use of the unit-of-value idea, arbitrary figures have been assumed. Each item is valued in percentage of deviation from its price on one basic date, which is taken as a standard.

Item	Base 1932	1933	1943
Food	$1.00	$.90	$1.00
Clothing	1.00	.85	.95
Rent	1.00	.90	1.00
Investments	1.00	.90	1.50
Metals	1.00	.50	.85
Utilities	1.00	1.00	1.10
Foreign Exchange	1.00	.80	.90
Livestock	1.00	.40	.70
Grain	1.00	.45	.80
Labor	1.00	.80	1.20
Average	$1.00	$.75	$1.00

Striking an average and representing it in terms of the dollar, one unit of value is worth $.75 in 1933 and $1 in 1943. Assume that: On December 31, 1933, Germany has an unfavorable balance of trade with regard to the United States of $1,000,000. She gives notes, payable in dollars, for units of value equal to that amount, or 1,333,333 1-3 units of value.

Then: In 1943 when the debt is repaid a 33 1-3 increase in the price level has made the unit of value equal to one dollar. Since Germany's notes are for 1,333,333 1-3 units of value, she must pay, due to the unit's increase in value, $1,333,333 1-3, an amount which exactly compensates for the difference in the price level.

would have at the time it was invested or lent. It may, on the other hand, buy twice as much. This is confirmed by recent world experience.

Nations, forced by the World War to buy in a period of soaring prices, find that in this depressed market they must produce two, three, even five times what they received in order to pay debts fixed in pounds, dollars or francs. The nation that bought wheat at $2 a bushel on the premise it could pay for it after the war by selling its own wheat at that price, faces the problem of meeting the debt with its wheat at 40 cents a bushel.

Had those debts been contracted in terms of the commodities and services received, their justice would have been unimpeachable. They could be repaid with just the effort required to produce the goods bought, plus that needed to make up the profit figured in the original transaction. For if we look behind the dollar sign we see a day's work, a bushel of wheat, rent, light and heat service.

The farmer who sells his grain receives, not an interest in gold bullion in the United States Treasury, but the services of his hired man, clothing, fuel. He has no interest in the gold except as it helps buoy the buying power of his paper dollar. Even that is but a slight concern. For without the gold, while he might have to pay more to his hired man and for clothing and fuel, he would receive correspondingly more for his produce.

The worth of gold as money is essentially in its scarcity, in the relative stability of its supply, in its indestructibility and its ease of handling.

Unfortunately, there is no surety of the constant supply of gold. Always the world is threatened with some vast "strike" or realization of the alchemists' dream of manufactured gold that would send values of the metal tumbling. Further, the world stock of gold is shifting constantly. Just now the United States and France hold approximately two-thirds of the world's supply. As a result streams of commerce are blocked by the inability of other nations to meet their obligations in the gold metal. Germany is an outstanding example. She must pay reparations in gold—yet there isn't enough gold in the world to do it.

Obviously a new standard upon which to base international exchange is desirable, a standard independent of chance metal scarcity, more fundamental, absolutely stable, and divorced from political fortunes. Such a standard is possible only if the world changes from its present concept of dollar-for-dollar return to one of value-for-value. It must think in terms of *the buying power* of the dollar or pound or yen rather than in terms of the coins themselves. For while it is not possible to stabilize any monetary system on a metallic basis, it is possible to create a system of exchange based on units of buying power upon which fluctuations in national currencies would have no effect.

In other words, it is possible to devise a system by which we can lend money enough to buy a bushel of wheat, and ten or fifteen years or fifty years later receive in return money enough to purchase a bushel of wheat, regardless of changing prices and monetary values. Such a plan would substitute for money a unit of buying power; but to create such a unit we must decide first what that unit is to buy. The idea of a composite commodity suggests itself. But in addition to commodities, money is spent for labor, rent, utility services, clothing, securities and a host of other things. So they must be included in our composite which would represent an arbitrary, convenient number of the most important items for which money is spent.

The accompanying model problem comprehends food, clothing, rent, utilities, investments, foreign exchange, labor, livestock and grain. They are used merely as an illustration and not as a suggestion of the number to be used in actual practice.

This entails another problem. Since it is impossible to work with a score of currencies, these prices must be translated into a single money, to be chosen for its relative stability and ease of computation. Further, the higher priced items would have a greater effect on the final average than the cheaper ones, and if actual costs of products and services are used, fluctuations in investment averages would have a greater effect than changes in grain prices, because of the larger figure involved.

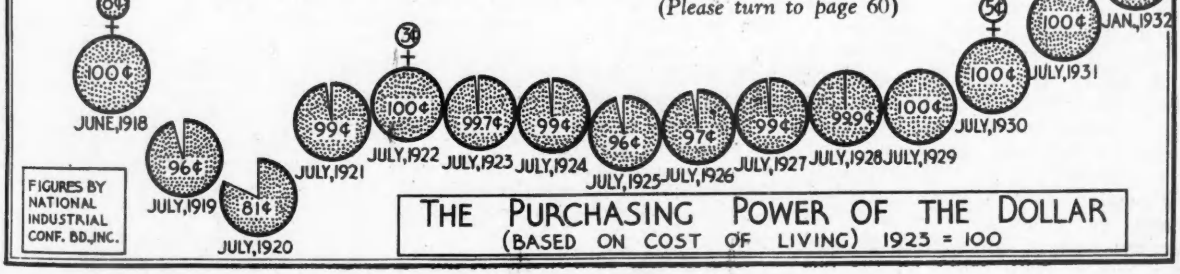
To equalize these effects it would be necessary to deal in percentages of deviation from some fixed price level. It would be practical to select one day on which the price of each item included in the unit of value would be considered as one. Comparison, in percentage, of prices with those on the basic date would furnish the amounts with which the unit of value could be so computed that each item would have the same effect on the final value, since each amount represents only deviation from the 1.00 standard, regardless of actual price.

Having decided what is needed, the next consideration is how to assemble this information, reduce it to the unit of value, and announce it. An international statistical body, working perhaps with the World Bank of International Settlements, is the answer. This agency would receive its data from the business centers of the world, reduce it to one currency and compute the unit of value in the manner described. This value would be announced at fixed intervals of, say, a week, for an international settlement day. Or, if it seemed more convenient, the figure could be used for all transactions occurring in an ensuing period.

Let us now assume that this unit of value system is in operation, and set up a model transaction to learn whether, having found an anchorage for buying power, we have overcome the effects of inflation or deflation.

The established authority has agreed on the items to be included in the unit of value, on the sources for data and on the intervals at which the value will be set. The international statistical office has been organized and is functioning. Prices as of January 1, 1932, have been chosen as the norm, or starting point. Expressed otherwise, the unit of value on that date was set arbitrarily at $1.00.

(Please turn to page 60)



THE PURCHASING POWER OF THE DOLLAR
(BASED ON COST OF LIVING) 1923 = 100

BONDS

CORN PRODUCTS REFINING CO.
First Mortgage Gold 5s, due May 1, 1934

Credit Outlook Commends Short-Term Investment

Early Maturity and Security of Senior Issue Counteract Unfavorable Aspects of General Situation and Enable Investor to Obtain Yield Around 4 Per Cent

By J. C. Clifford

Under current conditions the average bond investor finds it difficult to select a medium for the employment of his funds, the task being complicated by the uncertainty as to the ultimate effects of the Reserve Board's efforts to stimulate a revival of investment buying. Until this is determined short term issues make the most appeal, and investors are seeking early maturities of sound corporations, where the prospect of early redemption is an assurance of a fair yield to maturity.

ARTIFICIALITY is the most noteworthy characteristic of the current bond market. The Federal Reserve System has been busily buying United States Government securities for some time and recently declared that purchases were to be accelerated. This has contributed to the strength in governments, but taking into consideration the possibility of a reversal in Federal Reserve policy, and acknowledging that the Government necessarily must carry out a tremendous volume of new financing in the not very distant future, it cannot be said that its obligations are particularly attractive to the average investor at the present time.

Likewise, the market for other fixed income securities is as artificial as the market for Governments except that here the force is being applied in the opposite direction. Fear for the future and forced liquidation again have driven many sound corporate and other bonds to unwarrantedly low levels. For many weeks bank statements have shown declining loans on securities and, although it may seem absurdly illogical, there are indications that with the Federal Reserve banks trying to flood the country with credit on the one hand, member banks on the other are curtailing credit to provide the ammunition.

It is, however, quite possible that further purchases of Government bonds on the part of the Federal Reserve will be done under the powers accorded by the Glass-Steagall Act, which provides that these securities can replace commercial paper as a backing for Federal Reserve notes. If this is to be the case, who can tell how far the inflation will go and what its effects will be? It is a reasonable expectation that such a policy would stimulate eventually the price of the more speculative bonds, and of course common stocks, commodities and other property.

Nevertheless, such effects are not assured and about all that can be said at the present time is that the almost daily tinkerings with our credit system so becloud the outlook that short-term, gilt-edged bonds will continue the most attractive of investments until such time as the prospect clears.

It is for this reason that the first mortgage 5s of the Corn Products Refining Co. have been selected for analysis. The issue matures May 1, 1934. It possesses all the strength required by the times and in the event that it becomes necessary to reverse investment policies quickly it will be found easily salable.

Corn Products Refining Co. was formed in 1906 to consolidate a number of independent corporations engaged in deriving products from corn. It was distinctly a depression merger for not one of the component companies was making any money. Indeed, despite the fact that new capital was raised, obsolete and inefficient factories sold, and a program of plant modernization initiated, it was not until the time of the World War that the new organization began to prove its worth.

Now, however, the company is distinctly the principal factor in its field. It manufactures everything of which corn is the raw material. Corn

starch is widely used as a food either alone in the form of cornflour, or in conjunction with other materials as a pudding powder. It can be turned to sugar or syrup and is highly valued by many industries as a substitute for cane sugar. Likewise, corn oil substitutes for lard in cooking.

Industrially, the products of corn are equally valuable. The starch is employed for sizing and stiffening textiles; the sugar is employed in the viscose process of rayon manufacture; while there is a big demand for crude corn oil on the part of soap and paint makers.

Many of the manufactures of Corn Products have been long advertised and enjoy a large measure of consumer good will. Among the most familiar of the company's trade-marked specialties are its Argo and Linit starches, Karo syrup, Mazola oil and Kremel pudding powder. The stabilizing influence of these specialties can hardly be over-estimated, for not only does the demand for them fluctuate very much less than for bulk goods but they are sold at comparatively stable prices.

The factories of the Corn Products Refining Co. in this country are located at Argo and Pekin, Ill.; and at Kansas City, Mo. There is also a factory at Edgewater, N. J., primarily engaged in the re-manufacture of products turned out by the others. In addition, the company owns substantial interests in domestic corporations making starch adhesives, cattle and poultry feed and synthetic resins. Furthermore, Corn Products possesses manufacturing facilities in thirteen foreign countries and it is only because of these that its business has not been more severely dislocated by the constantly mounting tariffs and wildly fluctuating currencies abroad, although naturally there have been moderate exchange losses.

Finally, lying entirely outside its manufacturing business, Corn Products has many of the attributes of an investment trust. Naturally, like all investment trusts, the company's security holdings have depreciated severely in recent years. At the end of last year these holdings were carried on the books at $26,976,014—cost, less depreciation reserve. Their market value as of the same date was slightly less than $15,000,000.

The senior obligation of this vast business is an issue of first mortgage 5% gold bonds due May 1, 1934, and the amount outstanding is only some $1,766,000. These bonds are not only a direct obligation of the company, but are specifically secured by a first mortgage on the Argo and Edgewater plants. The mortgage also covers cer-

(Please turn to page 59)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest* Times earned 1930	Interest* Times earned 1931	Recent Price	Yield to Maturity
Norfolk & Western 1st Consol. 4s, 1996	112	41	7.5	5.3	89	4.5
Atchison, Top. & Santa Fe Gen'l 4s, 1995	311	152	3.9	2.7	86	4.7
Union Pacific 1st 4s, 1947	360	100	3.5	2.7	91	4.9
★Northern Pacific Prior Lien 4s, 1997	313	107	2.2	1.6	80	5.0
Pennsylvania Consol. 4s, 1948	607	20	1.9	1.3	88	5.1
Missouri-Kansas-Texas 1st 4s, 1990	107	31	2.8	1.3	72	5.7
Baltimore & Ohio First 4s, 1948	604	82	1.7	1.1	79	6.0
★Chic., R. I. & Pacific Gen. 4s, 1988	320.5	60.6	1.6	1.0	65	6.2
★Erie R. R. 1st Consol. 4s, 1996	261.3	35.0	1.3	1.0	65	6.2
Kansas City Southern 1st 3s, 1950	65	30	1.5	1.1	58	7.2

It should be noted that in the above railroad list some companies are hardly earning fixed charges on the entire funded debt, but since the selected issues for this classification are all prior lien issues, interest is earned amply for such senior issues.

Public Utilities

					Recent Price	Yield to Maturity
Cincinnati Gas & Elec. 1st 4s, 1968	35	35	5.3	5.3	90	4.4
Phila. Electric 1st Ln. & Ref. 4½s, 1967	166	34	3.1	3.2	97	4.6
Duquesne Light 1st 4½s, 1967	65	65	6.7	5.7	96	4.7
American Telephone Coll. Trust 5s, 1946	471	68	6.1	6.4	101	4.9
Detroit Edison Gen'l & Ref. 4½s, 1961	129	50	2.9	2.9	94	4.8
Illinois Bell Telephone 1st & Ref. 5s, 1956	57	49	4.0	4.9	102	4.9
★Pacific Gas & Elec. Gen'l & Ref. 5s, 1942	311	36	2.6	2.5	100	5.0
★Amer. Telephone Deb. 5s, 1965	471	150	6.1	6.4	98	5.2
N. Y. Power & Light 1st 4½s, 1967	67	66	3.0	2.8(e)	88	5.2
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	131	121	2.7	2.6	87	5.2
North'n States Pwr. 1st & Ref. "B" 6s, '	100	8	3.2	3.4	102	5.7
Denver Gas & Elec. 1st & Ref. 5s, 1951	46	9	2.3	2.5(e)	85	6.4

Industrials

				Call Price		
Standard Oil of N. J. Deb. 5s, 1946	169	120	7.4	102	102	4.8
Swift & Co. First 5s, 1944	53	23	3.7	102½	100	5.0
Western Electric Debenture 5s, 1944	35	35	4.3	105	96	5.4
Lorillard (P.) Co. 7s, 1944	19.8	9.2	2.8	NC	106	6.3
★United Drug Co. (Del.) 25-Yr. Gold 5s, 1953	41.8	40	10.0		82	6.5
Bethlehem Steel 1st & Ref. 5s, 1942	118	13	4.3	105	83	7.4
Goodyear Tire & Rubber 1st & Coll. 5s, 1957	63	56	2.8	103	70	7.6

High Grade Short Term Issues

	Due Date	Amount This Issue (Millions)	Price Call	Price Market	Yield Income Basis	Yield Maturity Basi
Corn Products Refining 1st 5s	5/1/34	1.8	105	103	4.8	3.7
★Detroit Edison 1st & Coll. 5s	1/1/33	10.0	NC	101	4.9	3.9
Union Elec. Lt. & Power Ref. & Ext. 5s	5/1/33	6.2	NC	101	4.9	4.3
N. Y. Telephone Gen'l 4½s	1939	61.0	110	100	4.5	4.5
★Norfolk & Western Imp. & Ext. 6s	2/1/34	2.0	NC	103	5.8	4.5
★Amer. Telephone Conv. Deb. 4½s	1939	12.9	105	100	4.5	4.5
Chicago Gas Lt. & Coke 5s	1937	9.9	NC	99	5.1	5.2
Portland Gen'l El. Co. 1st 5s	1935	6.8	107½	95	5.3	6.8
Bethlehem Steel Purchase Money 5s	1936	32.3	105	90	5.6	6.9

* On total funded debt. NC—Not callable. (e) Estimated.

★ NOTE: Our preferences in the above lists.

PEOPLES GAS

Natural Gas for Chicago Improves Local Utility's Prospects

Future of Operating Corporation Not Affected by Difficulties of Holding Company or Other Affiliates — Investment Rating Warranted by Earnings, Past and Current

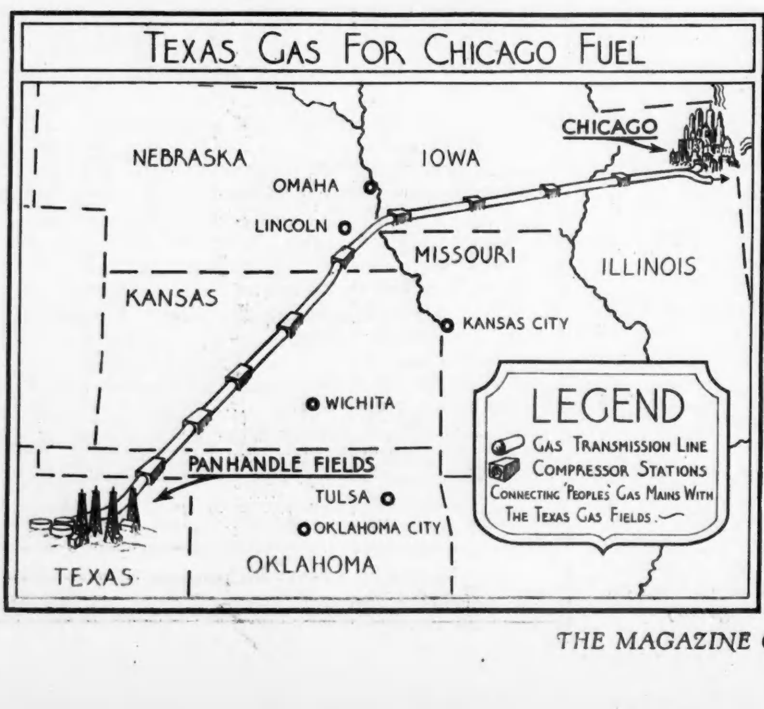
By Gilbert N. Stevenson

If there is any industry in the United States which is destined to greater growth it is the gas industry. Years ago, the Welsbach burner broadened the usefulness of gas as an illuminant. Then, as the electric light was about to snuff out the existence of the gas industry, just as the automobile has almost eliminated the street car, the development of the gas stove opened new fields for the use of gas, far beyond even gas-promoters' dreams. Now, the favorably situated gas companies have entered another era—the gas-mixing era, which enables gas companies to reduce their rates substantially, thereby broadening their sphere of usefulness and at the same time increasing their profits.

Gas-mixing will be possible by those established companies that have facilities for the production of artifical gas and which are near enough to the natural gas fields to permit pipe lines to connect rich natural gas supplies with the artificial gas plants. This is a great movement. The large eastern utility companies are rapidly completing plans, and in some cases already have arranged, to connect their systems with Appalachian-Ohio-Kentucky gas fields. During the past year, Chicago has been connected with the rich Panhandle fields of Texas. On the Pacific Coast, Pacific Gas & Electric Co. has connected its system with the inexhaustible Kettleman Hills field. It appears, that the real beneficiaries of the stupendous movement to build natural gas pipe lines in recent years will be in the end the great distributing companies which control the markets for gas.

Mixing artificial gas with natural gas produces a gas of greater heating value. Consequently, more and more industrial plants are turning to gas-firing of their furnaces, because it simplifies their problems, by reducing labor costs, securing more uniform heat, and accomplishing results with greater ease and cleanliness. There is also an elimination of waste, since the use of coal in plants requires that steam be kept up, more or less, night and day, regardless of whether the plant is in position to use it.

Furthermore, gas is being used increasingly by industrial plants in the actual manufacturing processes, particularly in drying and space-heating. Of course, industries have been using gas to a greater or



less extent for a number of years in various processes, but not to any great extent in space-heating. When the gas companies found their space-heating market increasing, they decided to campaign for house heating. Already in New York and vicinity, even where the rates are relatively high, there is a definite movement toward gas-firing for the home furnace. Thus, gas has entered the home-heating field to add further competition to coal which in recent years has been harassed by oil competition. Gas bids fair to eliminate both coal and oil over a period of years. Gas heating is therefore the third major step in the development of gas companies — the Welsbach burner, the gas cooking stove and now, gas furnace heating.

The year 1931 saw the completion of the world's largest and longest pipe line, which is now bringing natural gas 1,000 miles from the Texas Panhandle fields to Chicago, where the Peoples Gas Light & Coke Co. is putting it to work in the factories and homes of the Mid-West metropolis. A few years ago such an enterprise would have been impossible. It took new developments in engineering and construction, plus the steady growth of the Chicago market for gas, and plus the assurance that an enhanced supply would stimulate the development of additional sales outlets, to make the construction of the line a practicable undertaking.

The pipe line draws gas from a reserve of almost a half million acres of natural gas land—a supply ample to serve the city for at least a generation. The gas requires no purifying processes and can be used in any gas-burning appliance just as it comes from the wells. Ten compressor stations, one every 100 miles along the line, keep the gas moving toward Chicago at a pressure of about 600 pounds per square inch. The maximum capacity of the line, which is 24 inches in diameter is 1,800,000 therms per day. One therm equals 100,000 British Thermal Units (B. T. U.) and is the basis on which gas is sold in Chicago. This capacity is comfortably in excess of the present daily demand. With this huge additional gas supply, it can be readily seen that Peoples Gas will be spared the annual large expenditures for additional artificial gas manufacturing plants.

This 1,000-mile pipe line, which is owned and operated by the Natural Gas Co. of America, while Peoples Gas has a 21% interest through its ownership of 79.54% of the Natural Gas Investment Co. The line stretches over hills and through valleys, under rivers and through swamps. To make way for this line, 12,000 separate leases on 2,600 tracts of land had to be negotiated and seventy-five million cubic feet of earth had to be dug out and replaced. The line and its adjuncts represent an investment of approximately $75,000,000 by Peoples Gas and the other corporations associated in the enterprise—the Standard Oil Co. (New Jersey), Cities Service, Texas Co., Columbian Carbon, Skelly Oil, and Phillips Petroleum. The enterprise was completed in the face of the 1930-31 depression and was one of the major construction undertakings during this period.

The pipe line connects with Peoples' mixing plants, which mixes the artificial with the natural in such proportions that the new gas has a heating value of not less than 800 B.T.U. per cubic foot. These mixing plants are governed entirely by automatic controls. The results are constantly checked for accuracy both at the mixing points and at a number of stations throughout the city, where tests of the heating value of the gas are constantly being made. From the mixing plants, the gas goes through the company's 3,738-mile system of distribution mains to its 820,000 consumers. The use of the new gas is expected to eliminate eventually much of the smoke from downtown Chicago.

How Peoples Gas Common Shareholders Have Fared

Year	Dividend	Lowest mkt. value of rights	Total annual return	Average mkt. price of shares
1922	$5.00	...	$5.00	$79
1923	6.00	...	6.00	92
1924	7.00	...	7.00	106
1925	8.00	$1.12	9.12	117
1926	8.00	2.00	10.00	124
1927	8.00	4.87	12.87½	142
1928	8.00	7.75	15.75	184
1929	8.00	11.00	19.00	306
1930	8.00	8.25	16.25	255
1931	8.00	0.87	8.87½	178

High per share, 1929, $404. Low, 1922, $59.75. Book value, 142. Current price, 52. Current dividend, $8. Current yield, 15.4%.

Thus, an investor in Peoples Common who bought stock in 1924 at 100, and who sold his rights as received, figuring the lowest price in each case, secured a return ranging between 8⅞% and 19% in the seven succeeding years.

In addition to the advantages of the new gas already discussed there is the main advantage—that of dollars and cents. Coincident with its introduction the company made a general rate reduction—the fourth in ten years. The new rates grant the consumer a reduction of approximately 6½%, after the first two therms per month, in the cost of gas stove and general domestic service, and a reduction of about 31% in the rate for home heating, water heating, space heating and general industrial or commercial use. It is believed that the large volume uses will be developed so that summer and winter consumption will more nearly balance each other, making possible a more complete use of the company's distribution facilities.

Peoples Gas Light & Coke began operations when Chicago was a small town. It suffered the difficulties of a pioneer company, although it was not the first gas company to operate in Chicago. Company after company was formed either in the city or on the outskirts and as the city's limits were expanded for the purpose of making and distributing gas financial difficulties were many. After the company got under way the Civil War interfered with the company's ability to raise money and New England interests saw an opportunity to buy the property at their own price. Then the disastrous Chicago fire set the city back a few pegs. Then came a new period. If the city of Chicago did not authorize the existence of a new gas company then the State of Illinois would allow further competition, until finally a dozen gas companies in the city were practically giving gas away in a death-dealing gas war. Of course, there was only one solution. Mergers were completed, Peoples Gas absorbed its older competitors, gradually purchased others until it served the entire city of Chicago practically without competition, and financial difficulties became a thing of the past. While the company, because of high expenses incident to the World War, had some difficulty in bridging the war and post-war periods, the company has enjoyed excellent profits for the past ten years and has offered excellent opportunities for investment in its bonds and stock.

It must be borne in mind that Peoples Gas is an operating company and its securities may be considered on their

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Stocks Selling Below Net Current Assets

Selected by The Magazine of Wall Street Staff

THE most recent decline in the security markets again has directed notice to the many common stocks which are selling in the open market for less than the net quick assets behind them. In effect this means that should a company turn all its current assets into cash, pay off all liabilities and senior security holders, give away its plants and equipment, there would still be more left for common stockholders than can be obtained in the open market. Or, looking at it another way, it means that a purchaser of the common stock at present prices obtains an interest in a running business, its good will, and a share in its plants and equipment for nothing.

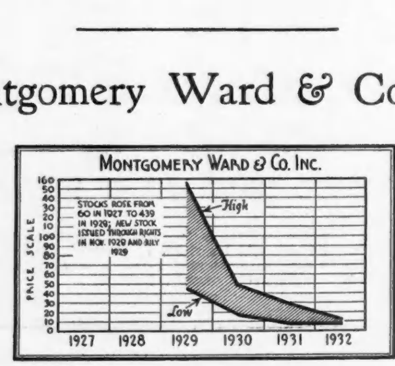
An investment made under these conditions must necessarily be successful if the company manages to weather the present storm at all, for it is clear that valuable property will not continue to be given away indefinitely. When again it commands a reasonable price, the company's stock cannot fail to reflect it. But what of the important "if" on which this rosy prospect depends?

Some of the companies whose common stocks now selling for less than their net current assets undoubtedly will justify their seemingly bargain prices by going out of business. Others are in such industrial position that such possibility is highly improbable. From this latter group we have selected the following five issues which have potentialities for substantial recovery as conditions improve.

Montgomery Ward & Co.

LOOKING back it must now be admitted that the few years prior to 1929 was a most unfortunate time for a successful mail order house to branch out into the chain store business. Yet, this was the course pursued by Montgomery Ward & Co. and to it may be attributed by far the greater part of the company's recent troubles. Of course, the depression resulting in lower sales, a smaller margin of profit and inventory losses would have made the past few years a difficult time in any event, but coming on top of a major expansion program it might well have been disastrous. That this has not occurred may be attributed solely to a formidably strong cash position. Indeed, so strong is this position that the company some years from now may well be able to look upon its too-rapid expansion as a costly but not a critical error. Let us see what progress the company has already made in correcting it.

For the year 1930, Montgomery Ward & Co. reported total net sales of $249,000,000, compared with $267,000,000 in the previous year, while net profits amounted to $423,000 against $13,435,000. Last year produced sales of only $198,000,000, resulting in a



net loss of $8,712,000, including a write-down in inventories of $5,300,000. While this may not look like progress, nevertheless, many adjustments have been made. Personnel has been reduced to a minimum and wages have been cut. Furthermore, a number of unprofitable retail stores have been closed and more will undoubtedly follow. Also, a new fundamentally different system for co-ordinating the company's activities has been installed recently under its new management, headed by Sewell L. Avery as chairman. Mr. Avery has been president of the U. S. Gypsum Co. since 1905 and possesses an enviable reputation as an executive.

A comparison of the company's balance sheet as of December 31, 1931, with that of two years ago shows distinctly other signs of progress. Fixed assets fell from $52,000,000 to $47,000,000, inventories were reduced from $67,000,000 to $36,000,000, while on the liabilities side accounts payable fell from $9,000,000 to $5,000,000 and reserves were increased from $1,500,000 to $6,500,000. Yet, with it all there was no alarming reduction in cash or its equivalent. This item at the end of 1929, stood at $37,500,000. At the end of 1931, it stood at $27,500,000, in addition to which there were miscellaneous securities making a total of $34,000,000 easily realizable in cash.

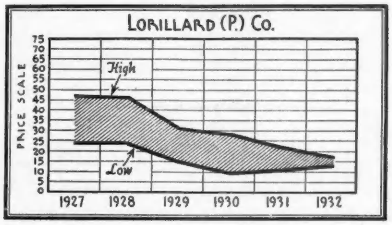
Taking the company's total current and working assets of $104,164,479 at the end of last year and deducting current liabilities of $7,155,687, its only long-term indebtedness of $2,043,300, general reserves of $6,510,052 and then allowing $100 a share for the 205,000 shares of $7 cumulative class "A" stock, there remains $67,955,440 applicable to the 4,514,193 shares of no par common outstanding in the hands of the public. This is equivalent to some $15 a share. The issue can be bought in the open market for less than $8 a share. Even if there were not more than $47,000,000 in fixed assets for which nothing whatsoever has been

allowed, such a price would still appear rather extraordinary. Although undoubtedly there still remains much to be done, the progress already made in meeting the changed conditions is reassuring, and it might well be that purchase of the common around present prices will turn out a more than ordinarily profitable speculation.

P. Lorillard Co.

BECAUSE it was slow to realize the possibilities of the popularly priced, blended cigarette, the P. Lorillard Co. ranks fourth among the domestic manufacturers of tobacco. Since 1926, however, when the company introduced its "Old Golds" much progress has been made and it is now definitely a factor with which the big three, The American Tobacco Co., R. J. Reynolds Tobacco Co. and Liggett & Myers Tobacco Co., must reckon.

But the attainment of this position was costly. The advertising necessary to give "Old Golds" a fair start forced the company to sell bonds and later other monies were raised by offering rights to common stockholders, Also, the greater part of the profits derived from the company's "Rocky Ford" and "Muriel" cigars, its "Murad," "Helmar" and other cigarettes and its smoking and chewing tobaccos were employed in popularizing the new cigarette. As a result earnings declined steadily from 1926 to 1929, inclusive, and it was not until 1930 that "Old Golds" commenced even to meet their manufacturing and advertising expenses. Last year, however, earnings on the common amounted to $2.12 a share, an increase of nearly 50% over the previous year's showing, and it would seem that the cigarette at last is approaching



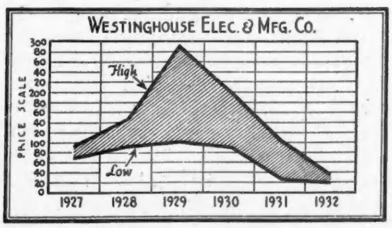
a paying basis, and a satisfactory one.

The company's management evidently believe that the tremendous advertising expenses of past years will now commence to afford profitable returns, for not only did the company call for redemption on January 1, 1932, some $13,500,000 in debentures, but the common was placed on an annual dividend basis of $1.20 a share. It is possible, however, that the continued sharp decline in the consumption of tobacco products was not foreseen at the time these decisions were made. Cigarette consumption in the first two months of the present year was about 8½% under that of the first two months of 1931, while it must be remembered that the full year 1931 made a materially poorer showing than 1929. All other tobacco products have likewise registered declines in consumption. One cannot help but think if lower tobacco consumption is to be a more or less permanent development that it will intensify the competition existing in the industry and that neither Lorillard nor the other big cigarette manufacturers will fare so well as when consumption was steadily increasing.

Nevertheless, around $14 a share, the present price of the P. Lorillard common stock undoubtedly discounts much adversity—more than will occur in all likelihood. Not only does this price bear a reasonable relationship to the latest earnings, but it represents less than the company's working capital. At the end of last year, the company reported current assets of $64,113,126, including some $44,000,000 of inventory at cost and nearly $14,000,000 in cash. Deducting from this, current liabilities of $1,745,841 and allowing $19,833,150 for funded debt and $11,307,600 for the outstanding 7% preferred stock, $31,226,535 is left for the common. This is equivalent to more than $16 a share on 1,909,212 shares. This figure allows nothing for the company's fixed property nor does it take any consideration of the millions spent in advertising and the good will which has surely resulted. At present prices, both from its balance sheet position and from its earnings position, the issue has definite speculative attraction.

Westinghouse Electric & Manufacturing Co.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO. admittedly has been hard hit by the present depression, for the normal difficulties of the times have been accentuated by the extraordinary degree of prosperity enjoyed prior to the crash. In the years preceding 1929, booming public utilities, a public's bursting pocketbooks and a reasonable volume of exports all contributed to an extraordinary demand for electrical equipment of every kind. But now with so many public utilities embarrassed for cash, the public in no better condition, and exports fast disappearing, it is small wonder that the company has not operated profitably for some time.



Last year sales billed by Westinghouse totaled only $115,000,000, which was little more than half the total of 1929. The year resulted in a loss of $3,655,660 compared with profits of $11,881,705 in the previous year and of $27,062,611 in 1929. It is evident from these results that the depression deepened faster than the company could bring sufficient offsetting factors to bear. There is comfort to be derived from the thought, however, that but for a program of stern retrenchment the showing would have been materially worse. Salaries and wages have been cut, the reductions in the higher brackets being quite drastic; several small plants have been closed and their operations concentrated in other plants; in addition, all kinds of economies in operations are being practised.

That the company will survive until the time when these economies yield their full benefits in an increasing gross business can hardly be doubted in view of its remarkably strong cash position. At the end of last year cash and salable securities at market value were

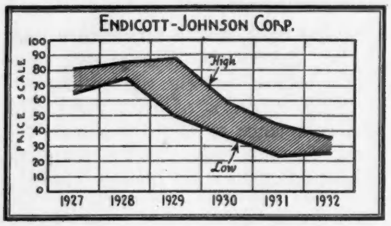
more than four times current liabilities. Taking the total current assets of $100,522,487 and deducting all current and other liabilities, reserves, and allowing $50 a share for the 79,974 shares of 7% cumulative preferred stock, there remains nearly $34 applicable to a share of common. This does not take into consideration that behind each share of Westinghouse common there is more than one common share of the Radio Corp. of America and a fractional share of the Class "A" preferred of the same company.

Westinghouse common is currently selling around 21½, and while dividends are maintained at the annual rate of $1, the distribution cannot be regarded as wholly secure. Allowing $5½ for the Radio holdings, it will be seen that a purchaser at present prices obtains for $16, nearly $34 in current assets, plus $6 worth of investments in other companies, and plus, also, nearly $50 worth of plant and patents which in normal times would certainly be worth considerably more than their book valuation.

In view of the steadily increasing uses for electricity, it hardly seems likely that manufacturers of electrical equipment have seen their heyday despite the temporarily glutted market. In the case of Westinghouse, a more than ordinarily strong financial position which it enjoys assures the company's existence until the better times can be exploited.

Endicott-Johnson Corp.

IT is not so unusual for the securities of a corporation suffering from the extreme effect of depression and deflation to sell in times like these at prices greatly below net asset value, but Endicott-Johnson Corp. presents the anomalous picture of selling well below its asset value while being in the most prosperous condition in several years—and with no particularly difficult spots discernible on the road ahead. One measure of its successful operation is that the earnings per common share in the full year 1931 were at the highest rate since 1928.



Normally trade in the necessities of life strongly resists the effects of economic depression. Luxuries and other non-essentials are sacrificed quickly by those who feel the contraction of earning power or fear the pinch of poverty. In the matter of food there is a transition from the demand for the higher grades to those of lower cost though of approximate equal value as sustenance. Clothing, however, though one of the principal essentials for the protection of life, appears to have its own peculiar depression cycle, with no two of the many items embraced within the broad term "clothing" traversing this cycle within the same time period.

The explanation seems to be that when the end of a phase of expansion and plenty is reached the average person has quite an accumulation of habiliments. He may have a half dozen pairs of shoes in excellent condition, as many suits or overcoats, several hats. With hard times comes the decision to defer the purchase of new wearables until they are needed. Manufacturers and retailers may not have entered upon the current era of business stagnation with the swollen inventories that plagued them in the setback that occured a decade earlier, but there is no doubt that Mr. Ordinary Citizen's wardrobe was in a state of swollen inventory. If this be a correct appraisal of the situation in the fall of 1929, then it is easy to understand why the shoe industry, after a decidedly lean 1930 picked up sharply in 1931, and why other lines of the "wearables" industry travelled a much longer downward course. The shoes wore out much faster than suits or overcoats or hats, and replacements were essential.

Endicott-Johnson, one of the two largest shoe manufacturing organizations in the country, whose products are sold through over 50,000 retailers as well as through mail-order houses and its own stores, is an excellent example of an issue selling considerably under its net asset value—and an equally interesting illustration of the point that the public has been buying shoes on a basis of necessary replacement for more than a year. A change in the fiscal year so as to start it with December 1, the beginning of the selling season, somewhat obscures comparison of 1931 with preceding full years, but on the basis of the first 11 months of 1931 having exceeded the same period of 1930 by 15%, sales in 1931 can be placed roughly at 37,000,000 pairs of shoes against 29,374,596 pairs in 1930 and 34,121,316 in 1929. Moreover, in the first quarter of the current fiscal year shipments were placed at 20% greater in volume than for the corresponding three months, and 15% greater in value.

Endicott-Johnson has no funded debt and but $8,585,700 preferred stock, which is gradually being retired under charter provisions—$5,400,000 having thus been retired and cancelled. Of the common stock, par $50, there are outstanding 405,360 shares. At current prices for the two issues the company has a market value of approximately $19,500,000, while the latest annual report shows equities for the common stock alone of $23,228,069, or $57.30 per share—after allowing $125 per share for the preferred, and including reserves, but excluding $17.27 per share good will, and a nominal item for patent valuation.

The common stock earnings per share over the past 10 years have ranged between a high of $8.63 in 1927 and 14 cents in 1930. In 1928 net for the common was $6.96 and in 1929, reflecting the market crash which upset general business just before the December buying season opened, net dropped to $5.01. The full measure of this shock was measured in 1930. In the first 11 months of 1931—the change in the fiscal year having then gone into effect—net for the common was reported as $4.84, the equivalent on a prorata basis of $5.28 for the full 12 months.

Marketwise the range of the common stock may well be viewed as having been a discount, during 1929 and 1930, of the effect of the business deflation, but in view of the turnabout in the trend of the corporation's business and profits and the non-impairment of the company's asset values, prices since then would seem to be entirely out of line with the real worth of the shares. From a high of 83⅛ in 1929 the shares dropped to 49¼ in the general market break and to a low of 36⅞ in 1930. But in 1931, with business on the upgrade, the shares registered a low of 23½ and while an early recovery this year established the common at 38⅛, it recently sold down to around the 1931 low, affording a yield of about 12% on a stock which appears currently to be earning its dividend with a margin of 60% or more and is backed by equities valued at more than twice its market value.

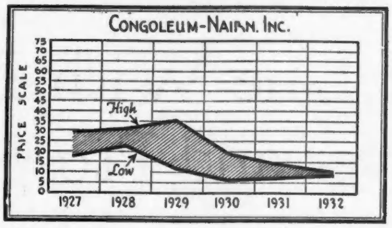
Congoleum-Nairn, Inc.

THE inevitable consequences of prolonged market liquidation are the quotations of some stocks at prices which drastically depreciate valuable property and time-tested trade marks. In the case of Congoleum-Nairn, Inc., among others, the market for the common stock has dropped to levels which not only assign no value to the company's modern plants, its nationally known trade names, or its protected processes, but which also discount the value of its cash, government securities, deflated inventories and accounts receivable.

At the close of 1931, Congoleum-Nairn had $1,715,815 in cash and $8,344,511 in United States, state, municipal and short term securities. Inventories of $4,785,927, accounts receivable and sundry debts brought the total of current assets to $17,181,356. Deducting current liabilities of $544,887 left net working capital of $16,636,469 available for $1,090,000 bonds, $1,202,500 preferred stock and 1,268,951 shares of common stock, outstanding at the end of the year. In the course of the year, the company retired $154,200 of preferred stock, and $382,400 bonds, in addition to 251,026 shares of common stock. Another 121,049 shares of common stock were purchased at an average cost of $9.81½ a share and held in the treasury. On the common stock outstanding at the end of the year, net current assets were equal to $11.30 a share, well above the recent price range of the stock. Plants carried at $13,057,788 after depreciation and miscellaneous securities at cost of $742,788 brought the book value of the junior equity to $21.42 a share.

However, the soundest basis for determining the value of a stock is its demonstrated and potential earning power, and there the speculative element in the Congoleum-Nairn shares appears. Asset value is of little use to the investor unless the assets are about to be distributed, or unless they can be profitably employed for his eventual benefit. In this light, Congoleum's recent record is encouraging.

When the majority of industries plumbed the depths of depression in 1931, Congoleum-Nairn showed signs of having reached the end of its troubles which started with overproduction and price cutting in 1925. Dividends, discontinued then, were resumed at the rate of $1 a share annually last summer, and 1931 earnings of 90 cents a share compared with 8 cents a share in 1930. In the six-year period of readjustment, operating efficiency was increased, new products introduced and



popularized, and the strong net asset value built up. Conditions in the trade are materially improved.

Floor covering materials of the linoleum type enjoy a normal market, that is roughly 90% replacement and 10% new equipment. Thus, much of the buying that is deferred during a period of curtailed general business activity must eventually develop with accumulated force. A suggestion of what such accumulated buying might mean to this company is found in its inventory position which dropped from $9,061,855 in 1928 to $7,180,997 at the end of 1930, and to $4,785,927 on December 31, last. The margin of profit need not be disturbed seriously by the lower retail prices in effect since last November, as raw material costs are drastically deflated. Congoleum-Nairn has successfully extended its field with its washable wall covering material "Sealex" and similar products that enjoy a good consumer demand, especially when widespread economy measures are in vogue.

Although price cutting tactics in the floor covering industry have ceased, and the leading manufacturers have agreed to discontinue production of the

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Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selection from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1929	1930	1931	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	182.20	138.50	92.03	No	75	5.3
Union Pacific	4 (N)	49.48	41.30	25.50(e)	No	54	7.4
Atchison, Top. & S. Fe	5 (N)	49.18	30.08	18.60	No	64	7.8

Public Utilities

Pacific Gas & Elec. 1st	1½ (C)	4.57	5.25	NF	No	24	6.3
Public Service of New Jersey	8 (C)	‡24.44	‡22.10	‡18.85	No	115	7.0
New York Steam Corp.	7 (C)	10.21‡	16.95‡	20.19‡	115	100	7.0
So. California Edison "B"	1½ (C)	3.61	3.63	3.24	28¾	21	7.1
New York Steam Corp.	6 (C)	10.21‡	16.95‡	20.19‡	105	83	7.2
Amer. Lt. & Traction	1½ (C)	21.38	20.71	16.44	No	20	7.5
Buffalo, Niagara & Eastern Pr.	1.6 (C)	5.19	4.97	4.92	26¼	21	7.6
North American Co.	3 (C)	47.48	49.10	41.55	55	37	8.1
North Amer. Edison	6 (C)	58.98	49.65	39.13	105	73	8.2
Philadelphia Co.	3 (C)	27.58	28.27	NF	No	32	9.4
United Corp.	3 (C)	4.66	6.46	7.41	55	30	10.0
American Water Works & El.	6 (C)	39.11	44.22	30.52	110	56	10.7
Columbia Gas & Electric "A".	6 (C)	33.95	26.86	22.75	110	55	10.9

Industrials

Procter & Gamble (2nd)	5 (C)	151.75	178.16	130.97	115	93	5.4
Stand. Brands, Inc., Cum. A.	7 (C)	129.41	111.03	155.72	120	115	6.1
Diamond Match	1.5 (C)	....	2.86	3.56	No	23	6.5
du Pont (E. I.) de Nemours deb.	6 (C)	78.54	56.22	48.41	125	91	6.6
Allied Chem. & Dye	7 (C)	76.88	63.90	48.20	120	102	6.9
Commerc. Investm. Trust 1st.	6½ (C)	81.92	90.87	87.42‡	110	93	7.0
General Mills	6 (C)	18.86	20.03	16.44	115	85	7.1
Mathieson Alkali Works	7 (C)	98.91	84.68	56.64	No	94	7.4
General Cigar	7 (C)	35.92	64.03	54.41	No	95	7.4
Colgate-Palm-Peet	6 (C)	62.24	49.51	25.76	102½	80	7.5
Hershey Conv.	†5 (C)	21.36	24.24	26.18	No	67	7.5
Lorillard (P.) Co.	7 (C)	11.82	31.96	42.86	No	87	8.0
International Nickel	7 (C)	30.45	40.26	18.44	120(a)	75	9.3
Curtis Publishing	7 (C)	23.93	21.25	13.57	120	62	11.3

C—Cumulative. N—Non-cumulative. † Regular rate, $4. (a) After Feb. 1, 1934. ‡ On combined preferred. (e) Estimated. NF—Not available.

Out of Line With Earning Power and Prospects

Well Established Merchandise Company With Favorable Record Offers High Yield and Promise of Recovery

By Ward Gates

STOCK prices in the long run are determined by earning power, yet it occasionally happens, for one reason or another, that a quotation will stray far in either direction from the logical investment level suggested by current and prospective profits per share. Over-enthusiastic speculation caused the distortion in 1929. In the present market forced liquidation in utter disregard of intrinsic values, has unquestionably depressed some stocks to an abnormal, and, therefore, presumably temporary, degree.

Let us suppose that a relatively large proportion of the capital stock of a sound company is held by one individual and that thousands of these shares have been pledged as collateral either with brokers or banks to support the purchase of additional shares. Such a position, as has been demonstrated time and time again, can be weakened with appalling speed in a declining market, with the result that it in itself, rather than any change in the company's affairs, becomes the immediate dominating factor in the stock's fluctuation.

"Market situations" of this kind—speculative accidents, so to speak—present an unusual opportunity for the discriminating investor or speculator when they depress a sound issue below its reasonable value.

At this writing one of the conspicuous examples of an apparent market accident is supplied by the common stock of the S. S Kresge Co. This issue sold at a high of 57½ in 1929, 36¾ in 1930 and 29⅝ in 1931. In recent trading it crashed down on heavy volume to a record low of 8⅜, at which price it commanded less than six times current annual earnings per share and yielded, on the present dividend, approximately 19%.

In the field of low-price merchandising Kresge is second only to Woolworth. Both chains have a long record of expansion in the number of stores operated and in volume of sales. Both after a long period of steady expansion in profits have reached a situation in which profit margins are increasingly hard to maintain. Comparison of the leader and of the runner-up is of interest in several respects.

Comparison With Woolworth

Woolworth profits on sales reached a maximum in 1927 of 9.74% and declined to slightly less than 7% in 1931. Kresge profits on sales set a maximum of 11.60% in 1923 and fell to approximately 6.5% in 1931. For both companies the drop in 1931 was due chiefly to the special problems of depression, yet a definite downtrend in the ratio of profits to sales for several preceding years indicated that the rate of profit had for each company ceased to keep pace with the increase in number of stores.

In the case of Woolworth, this resulted in a flattening out of total volume of earnings from domestic operations after 1927, despite a further substantial growth in sales. For a somewhat longer period Kresge was able to increase its net earnings, despite a smaller profit margin, for the profit ratio on sales decreased rather steadily after 1923, while total earnings increased each year up until 1928, when the record total of $15,642,853 was shown. Earnings declined to $14,952,211 in 1929; to $10,621,151 in 1930 and to $9,461,699 in 1931. Up until 1928, Kresge sales and profits had increased every year, without exception, since 1912.

Although the Woolworth profit ratio on sales in 1931 was a trifle better than that of Kresge, Kresge's ratio over the last decade has averaged higher than that of Woolworth. Some light is thrown on this fact by Kresge's sales of $145,785,000 during 1931 in 711 stores, or an average of approximately $205,000 per store; while Woolworth's sales of $282,670,000 in 1,903 domestic stores averaged approximately $148,000 per store.

Although it is impossible to arrive at any accurate cost comparison of the two chains, their operating conditions as regards type of store and store location are so similar as to suggest little real difference in overhead problems. If this is the case, it is obvious that the larger sales volume per store of Kresge is an advantage.

The explanation apparently lies in the substantially wider price range of Kresge goods, for while this chain is popularly considered a "5-and-10" most of its stores handle goods up to 25 cents in price and in some the price range

Eight Years with S. S. Kresge Co.

	Net Income	Ratio net income to sales	Adjusted earnings per share
1924	$10,114,164	11.23%	$1.81
1925	11.809,260	11.14	2.11
1926	12,504,442	10.49	2.24
1927	13,977,066	10.44	2.51
1928	15.642,853	10.61	2.80
1929	14.952,211	9.55	2.68
1930	10,621,151	7.06	1.90
1931	9.461.699	6.50 (est.)	1.69

runs up to $1. Until recently the Woolworth stores adhered rigidly to the "5-and-10" price range. Now, however, Woolworth has introduced the policy of offering goods up to a maximum of 20 cents. This change by the leader toward higher price limits, which permit a wider diversification of goods, would seem in part a confirmation of the advantages of the price policies long followed by Kresge.

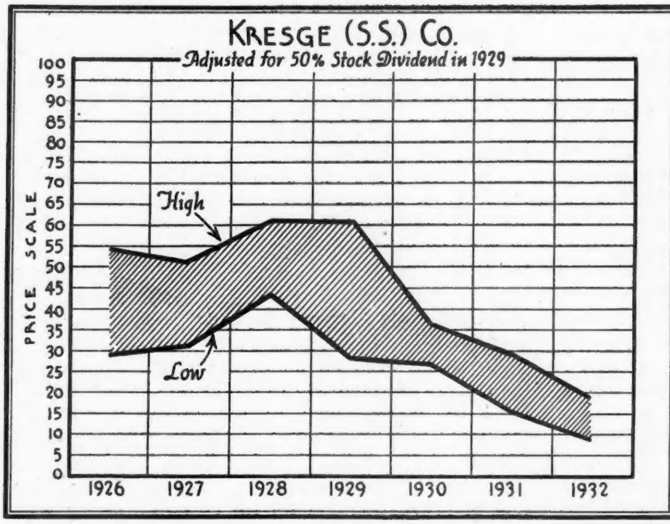
On the other hand, Woolworth's venture into a higher price field undoubtedly means a more effective competition against Kresge, as well as all other chains.

Long Range Prospects

The principle of low-priced chain merchandising is thoroughly established in this country and the business unquestionably is on a sound and enduring foundation. Dealing chiefly in necessities, it is unusually well equipped to withstand economic depression. The reasonable prospect that spending habits in this country for some years to come will be on a far more sober and economical basis than those in which we indulged in the years before 1929 should be less of a handicap to stores of the Kresge type than to almost any other business.

Nevertheless, it is necessary for the investor to realize that industries, like individuals, do not grow indefinitely. In the past three decades the leading merchandising chains have grown much faster than the rate of population growth. They had the advantage of a virgin territory, as did the automobile industry from 1920 to approximately 1926. It is without doubt significant that for several years Woolworth and Kresge profits per dollar of sales have tended to decline. This indicates that expansion in number of stores, bringing increased competition, faces a problem of diminishing returns.

Yet it would be absurd to say that the business has reached a saturation point. A market of substantially the present proportions, or of gradually increasing proportions, will always exist, for it is overwhelmingly a replacement market. But it is equally true that the business appears to have reached the stage of economic maturity which follows all periods of expansion and that growth in the future is likely to be more closely in line with the slower growth of population.



Investment Aspects

If this is the prospect shareholders in chain stores cannot in the future reap the rich harvest of the past. Capitalizations have been expanded along with store operations and the fat succession of stock dividends and extra dividends is probably over. This is no cause for alarm. The best-managed chains should be able to garner satisfactory profits indefinitely, but it does suggest that future security prospects must be considered on an investment, rather than a speculative, basis. In short, the possibilities of equity appreciation tend to diminish and stable return on the investment becomes more important.

Recognizing these limitations, the practical investment question in each case is whether a particular stock is attractively priced in relation to them. Recent quotations in Kresge would appear to make more than adequate allowance for all adversities. While the company's financial position is satisfactory, it need hardly be said that it is a decided second to Woolworth in this respect, but Woolworth at present sells for more than ten times current earnings, as compared with six times for Kresge, and the dividend yield on Woolworth is 6.6%, against more than 16% on Kresge at its recent quotation, which is slightly above the year's low.

A yield so high naturally invites cautious inspection. In 1931 Kresge earned $1.69 per share on the common stock. This, obviously, represented only a narrow margin of coverage on the $1.60 dividend. It is quite likely that earnings thus far in 1932 have shown a further moderate shrinkage. The next dividend action on the stock is scheduled for May. A reduction of the payment to $1.20 a year, which was the rate paid by Kresge in 1926 and 1927, would be in line with conservative policy. On a price of around $10 per share, however, such a rate would return a yield of 12%. If in the interest of still greater conservatism the dividend should be reduced to $1, a figure which would greatly increase the surplus earnings annually available to the company, the yield would be 10%.

The "Market Situation"

As to the "market situation" existing in Kresge, it need hardly be said that accurate and official information is not available. As of last October it was revealed that 1,642,708 shares, or 29.7% of the total of 5,517,925 shares outstanding, were owned by officers and directors of the company. With 1,431,075 shares, or 25.9% of the total, by far the largest block was held by S. S. Kresge, chairman of the company, who founded the enterprise at Detroit in 1897.

Until the autumn of last year Kresge stock, normally inactive, moved down gradually and inconspicuously, in line with other issues of its type. It leaped into the speculative spotlight when the volume of trading suddenly increased to spectacular proportions; thousands of shares came on the market around $23. Yet the failure of the stock to give ground suggested a determined attempt to sustain the price at that figure. The effort, however, was not long successful; the issue ultimately broke to around $16 a share.

As of December 31 it was revealed that the S. S. Kresge Co. during the year had purchased 381,824 shares of its own stock, which was carried at cost of $9,251,453 or an average of $24.23 per share. This stock, as far as is known, is still held. Nevertheless, additional forced liquidation developed in the issue early in April, accounting for the further slump in price to around $9, its current level. Whether such selling has now been completed is, of

(*Please turn to page 58*)

Textile Activity Improves but Profit Margins are Small

Balance of Production and Consumption Contributes Towards Stabilization of Industry—Low Retail Prices Hamper Complete Recovery

By W. S. Cousins

FOR many of the important divisions of American industry and commerce, the fight against depression and deflation has been a two and a half years' battle, but the textile industry has waged a ten-year contest against the forces of overproduction, cheap labor, extravagant notions born of the prosperity era and other factors. That prosperity era was quite partial in the manner in which it bestowed its favors on the "big three"—steel production, automobile manufacturing and building construction—and withheld them from many other important sections of domestic business.

Recent signs of improvement in the textile industry are of special significance at this time, because of the important role played by the textiles in leading the country out of the financial and industrial morass of 1921. Indeed, prominent textile leaders confidently declare that they have already begun to chart the road back to normal.

A great deal has been said and written about the financial fatalities among the well-known textile manufacturing concerns in New England and in the South, and the temporary collapse of huge operating organizations in the towns which depended upon them for their sustenance. When prosperity introduced the silk skirt to the masses, cotton and rayon reeled under the blow, but under the most adverse conditions a campaign of sales promotion was inaugurated which has had a salutary effect on present conditions in the textile industry. The result is a wholesome productive activity, even though the industry has not yet commenced to enjoy a profitable activity.

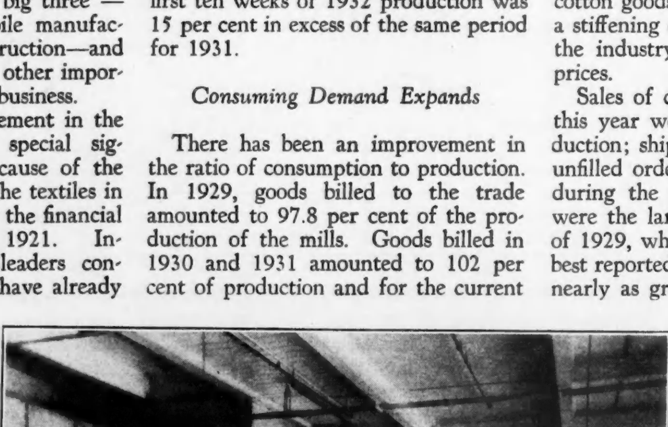
Today the cotton textile mills are operating at 87 per cent of their ten-year average. Production of cotton goods in 1931 was 2 per cent greater than in 1930, a fair average year, and for the first ten weeks of 1932 production was 15 per cent in excess of the same period for 1931.

Consuming Demand Expands

There has been an improvement in the ratio of consumption to production. In 1929, goods billed to the trade amounted to 97.8 per cent of the production of the mills. Goods billed in 1930 and 1931 amounted to 102 per cent of production and for the current year the excess of goods billed over production has amounted to 10 per cent. This reflects partly the success attending efforts to maintain the balance between production and consumption. To guard against undue optimism allowing the situation to get out of hand, new plans were put into effect, just after the turn into 1932, to curtail the production of print cloths, broadcloths, wide sheetings and other cotton goods. The effects were seen in a stiffening of the statistical position of the industry and a slight advance in prices.

Sales of cotton goods in January of this year were 145.2 per cent of production; shipments 115.5 per cent and unfilled orders increased 21.5 per cent during the month. Sales in January were the largest since the first quarter of 1929, while unfilled orders were the best reported since February, 1931, and nearly as great as in December, 1929. This is saying a great deal in these days of shrinking output and market demand for industrial products.

Wool showed an even more noteworthy advance in consumption last year than cotton goods, and some improvement was noted also in the price structures of important divisions of the industry. For the entire year 1931 consumption totaled 513,743,129 grease pounds, against 430,103,818 in 1930. But for the dullness of the carpet trade, the showing would have been even better. Worsted enjoyed the



Publishers' Photo

Spinning Yarn for Automobile Tire Fabric

best demand since the post-war boom.

Woolen textiles naturally felt the depressing handicap of low prices for finished goods, which severely cut the margins of profit for the manufacturers and distributors. The American Woolen Co., for example, reported for the year a net loss of $2,836,826 after the necessary adjustments in inventories and provisions for depreciation on plant and machinery. As the result of a complete readjustment of book values of active and inactive properties at the end of 1931, this large concern wrote off a total of $17,458,596 from its surplus account, and because of other related adjustments converted a surplus of $4,787,386 into a profit and loss deficit of $17,738,679.

Current operations of combs and worsted spindles are only slightly below the record of the last quarter of 1931, when the mills found it necessary to work at the highest rate of capacity since 1920 in order to supply the demands of the trade. Wool dealers as a whole found 1931 profitable, but unsatisfactory prices for some of their best wares curtailed profits considerably.

Both rayon and silk enjoyed a good demand in the American markets last year, and it will be surprising to many people to learn that with the exception of 1929, the volume of silk consumption last year was the highest on record. Nearly 50,000 bales of raw silk were consumed in the American market, at prices which provided the most attractive of fabrics for milady's wardrobe at the lowest cost in a decade.

Close to 155,000,000 pounds of rayon were consumed in the manufacture of garments and other domestic uses. The statistical position of rayon is excellent, production well within bounds and continuous withdrawals from stocks now being made. Prices are too low, but this is typical of all productive industries, which are in the grip of one of the most severe deflations ever recorded. Rayon also has suffered from the silk situation, growing to a great extent from the abandonment of the gold standard by Japan. Rayon products must be priced below the prices of silk products, and the sellers' market did not help profits.

Discarding the hit-or-miss methods which had prevailed up to that time, leading cotton manufacturers in 1925 resolved to undertake a comprehensive survey of the whole field of production and consumption of cotton goods, in a determined effort to bring order out of chaos in one of the most important branches of American manufacturing.

Co-operating in this movement were more than 80 per cent of the active spindles in the entire American cotton textile industry. While it was obvious that there were glaring defects in the methods of manufacturing and distributing the products of their mills, it was believed that the best results would accrue from vigorous and scientific discovery and promotion of new channels of consumption of cotton goods. For more than six years these promotional efforts have been carried on, simultaneously with the adoption of new processes to improve the quality of the products of the cotton goods mills. Because of these new processes the cotton and rayon garments offered in the large department stores today display the sheen and attractiveness of the silk of a dozen years ago.

Net Changes in Cotton Mill Spindles in Place Each Year from 1922 to 1931.

(United States Census)

Year	South	New England	Other States	United States
1922	+ 229,739	+ 215,792	+ 2,639	+ 448,170
1923	+ 562,375	— 116,250	— 11,152	+ 434,973
1924	+ 623,806	— 306,134	+ 1,776	+ 319,448
1925	+ 388,986	— 385,534	— 71,288	— 67,836
1926	+ 150,498	— 424,312	—233,392	— 507,206
1927	+ 492,750	—1,321,642	— 69,862	— 898,754
1928	+ 227,952	—1,291,358	—135,484	—1,198,890
1929	+ 369,118	—1,017,106	— 77,612	— 725,600
1930	+ 118,334	—1,024,114	— 27,212	— 932,992
1931	— 22,724	—1,222,748	— 36,496	—1,281,968
Total Net Change 10 years	+3,140,834	—6,893,406	—658,083	—4,410,655

Advertising Proves Effective

Summarizing for THE MAGAZINE OF WALL STREET the activities of this organized group of cotton textile leaders, a spokesman for the industry placed effective advertising at the head of the list. In general, the channels through which increased distribution of cotton goods have been sought include distributors and users of: (a) wearing apparel; (b) fabrics for home use; (c) fabrics for industrial purposes. The promotional work comprised the following activities to stimulate the use of cotton wearing apparel:

Publication of a style bulletin on fashions, distributed periodically to retail buyers, merchandise and sales promotional executives, garment manufacturers, stylists, writers and consumer group leaders, and the distribution of a swatch book of representative cotton fabrics selected by a jury of style specialists; co-operation with motion picture producers in the preparation of newsreels of cotton fashions, and the distribution of photographs and mats of cotton dresses to the newspapers and magazines throughout the country; radio talks on cotton fashions weekly over a network of 134 radio stations, in 37 states; conducting of styles shows by the hundreds before important trade consumer organizations, where cotton fabrics were displayed on living models; and sponsoring National Cotton Week, already an institution in American industrial promotion, enlisting the co-operation of nearly 15,000 retail and wholesale establishments in all parts of the United States.

By ingeniously suggesting to the mistress of the household the addition of a few inches to the length of the bedsheet and the tablecloth, the cotton textile men have made a market for hundreds of thousands of yards of their fabrics. Cotton has also, under this expert guidance, found a wider use in other household necessities, including wall coverings, curtains, towels, etc.

In commercial channels, there has been a large increase in the use of cotton bags for shipping vegetables, fruits, nuts, fertilizers, flour and other bulk commodities. This is directly the result of the extensive research work conducted with a view to ferreting out new original and replacement uses for the southern staple. In road-making cotton has assumed an ever-increasing prominence, and even in business stationery the volume of cotton cloth consumed has steadily increased.

The results of this intelligent and vigorous promotion in the textile industry have been sufficient to warrant its continuance. It has served as a model and a pattern for other industries. To increasing sales resistance it has reacted with a better and more attractive product, and on wasteful productive practices it has turned the

(*Please turn to page 56*)

Market Indicators

For Profit

Two Interesting Preferreds

Our present declining security markets have brought many sound fixed income bearing securities to a point where they are not only attractive for income, but where any general improvement would result in very substantial price appreciation. Issues in this class are the $5 preferred stock of the Consolidated Gas Co. of New York and the 6% debenture stock of E. I. duPont de Nemours & Co. Despite depression the former company's net revenues have held up well and because of the inherently stable nature of its business there is no reason to expect—come what may, even a rate reduction—that any decline would endanger payments on the preferred. For last year the Consolidated Gas Co. of New York earned $32 a share on its preferred stock and never once in the last five years have earnings fallen below five times dividend requirements on this issue. It is currently quoted around $87 a share and at this price the yield is nearly 6%. Likewise, dividend requirements on the debenture stock of the E. I. duPont de Nemours Co. has always been covered by a wide margin. Over the last ten years and based on the number of shares at present outstanding earnings have averaged some six times dividend requirements. Let us make the assumption that the present year is to be as poor a one as is generally expected. If duPont's operating income be reduced 20% and General Motors cuts its present dividend in half, paying $1 a share, then duPont's earnings on its debenture stock would still be some four times the dividend paid. At the present price of $90 a share the issue affords a well-protected yield of more than 6½%.

* * *

The Ford Abroad

All of the Ford European motor companies have passed their dividends. Also, wage reductions have been made in every country where a reduction in the cost of living has permitted. The dividend policy was apparently recommended by Mr. Ford himself with a view to future contingencies and cannot be attributed to necessity, for the chairman of the British company stated that each of the companies with the sole exception of the one in Germany earned in 1931 an amount sufficient to pay dividends at the 1930 rate. Nevertheless, in view of the intensification of the depression and the chaotic conditions existant throughout the greater part of Europe, Mr. Ford's suggestion must be commended for its conservatism. How, for example, is the great English plant at Dagenham with its capacity of 200,000 cars a year to dispose of its output in a market whose outside limit under present conditions appears to be around 50,000 cars? It would seem that the Ford interests in Europe are to experience at least as great a degree of difficulty as our own Ford Motor Co. appears destined to experience.

* * *

The Improvement in Oil

The oil industry has been under a cloud for so long that there has been a prevailing feeling that its troubles were permanent. Now, however, just

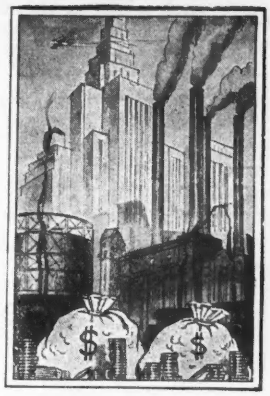
One-Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS		
									Rate	Payable	Record Date
1	American Tobacco 'B'	ATB	N	B1	Diver. tobacco products	1,020,350	3,131,209	§25	5.00*	q-3/1	2/10
2	Congoleum-Nairn	COG	N	C1	Floor coverings	1,473,300	1,390,000	No	1.00	q-3/15	2/15
3	Cudahy Packing	CUX	N	C2	Meat packing	19,167,600	467,489	50	4.00	q-4/15	4/5
4	Endicott-Johnson	EJ	N	C2	Shoe manufacturing	None	405,360	50	3.00	q-4/1	3/18
5	General Baking	GBG	N	C2	Bread and baked goods	7,000,000	1,594,799	5	2.00	q-4/2	3/19
6	General Mills	GIS	N	C2	Flour and cereal products	None	673,444	No	3.00	q-2/1	1/15
7	General Motors	GM	N	C1	Full line of automobiles	None	43,500,000	10	2.00	q-3/12	2/13
8	Gimbel Bros. Inc.	GI	N	C3	Department store chain	30,100,000	996,000	No	......	......	......
9	Kresge, S. S.	KG	N	B1	5-and-10-cent chain	18,686,242	5,517,929	10	1.60	q-3/31	3/11
10	Montgomery Ward	M	N	B2	Mail order and chain stores	None	4,565,000	No	......	......	......
11	Lorillard Co., P.	LOR	N	B2	Tobacco products	33,679,150	1,909,160	No	1.20	q-4/1	3/15
12	Peoples Gas Light	PO	N	A1	Chicago gas utility	73,055,005	625,400	100	8.00	q-4/18	4/4
13	Sears, Roebuck	S	N	B1	Mail order house	None	4,537,654	No	2.50	q-5/1	4/8
14	Timken Roller Bearing	TKR	N	C1	Machinery bearings	None	2,407,824	No	2.00	q-3/5	2/19
15	Westinghouse Elec. & Mfg.	WX	N	C1	Electrical manufacturing	None	2,586,341	50	2.50	q-1/30	1/8

§—Non-voting. *—Extras also paid in addition to regular rate.

and Income



at a time when the depression appears to have intensified, oil is showing flickers of betterment. Whether the improvement be artificial or not, the fact remains that the oil companies' first quarter statements will make a very fair comparative showing. In this period both gasoline and oil prices were fairly steady, obviating the necessity for heavy inventory charge-offs. Since the end of the quarter prices have actually registered material gains and should present tendencies be maintained the second quarter will be better than the first. While the improvement is as yet too uncertain to warrant the free purchase of oil securities, it may at least be said that many of these issues have displayed recently a marked resistance to being forced into new low ground with the rest of the market.

* * *

Communications

When American Telephone & Telegraph broke par the other day there was not one single active common stock selling on the New York Stock Exchange above $100 a share. This was the lowest price at which the shares of our greatest of companies has sold since 1921. Western Union at $25½ a share also made a new low record in many years. Indeed, it is necessary to go well into the past century to find its equal. Nor can any great improvement be expected without a material upturn in general business and all that this implies in the way of more messages and the need for greater haste in sending them. It might be noted, however, that the communications will be among the first to reflect the death of the present depression and in this case might well provide a cue for profitable security operations some time in the future.

* * *

The Insull Operating Companies

The pyramid of holding companies erected by Samuel Insull and through which he controlled a vast aggregation of public utility properties throughout the country has crashed. Whether it can be eventually rebuilt is a question which can hardly be answered at the present time. But whatever the outcome—as Mr. Insull himself recently pointed out—it should not effect the actual business of his two main operating companies, Commonwealth Edison Co. and Peoples Gas, Light & Coke Co. The former reporting for the first three months of the current year showed that operating revenues had fallen less than 5½% under those of the corresponding period of 1931, while a reduction in expenses brought net income less than 2% under the first quarter of last year. On a per-share basis the quarterly dividend of $2 a common share was earned in the current year with a margin of 97 cents to spare. A similar showing was made by Peoples Gas, in this case the $2 dividend being earned in the current year with a margin of 37 cents. Not unnaturally the securities of both Commonwealth Edison and Peoples Gas have been adversely affected marketwise by the disaster. There may be further ill-effects. But nothing yet has been brought to light to alter the conviction that holders are to fare much better eventually.

Magazine of Wall Street's Adjustable Stock Rating Booklet

April 23, 1932

Earnings: Annual 1929	Earnings: Annual 1930	Earnings: Interim 1930	Earnings: Interim 1931	Price Range 1931 High	Price Range 1931 Low	Price Range 1932 High	Price Range 1932 Low	Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
†11.53	8.56	8.56*de*	9.07*de*	132¾	64	83¾	66½	2:1 7/30	47	Aggressive advertising continued in '32	1
1.28	0.08	0.08*de*	0.90*de*	14¾	6⅞	11	8	....	35	Recent price slashes may lower profits	2
4.13*oc*	5.03*oc*	5.03*oc*	3.06*oc*	48⅞	29	35½	28⅞	....	56	Well managed and financially strong	3
5.01	0.14	0.14*de*	4.84*nv* 11	45⅜	23½	36⅛	25½	....	34	Operations 20% greater than a year ago	4
N.F.	2.78*de*	2.78*de*	2.58*de*	25⅝	9½	19⅝	11	....	48	Net steady and above dividend needs	5
4.58*my*	4.83*my*	4.83*my*	3.71*my*	50	29⅛	37	28½	....	54	Strong financially but net somewhat off	6
5.44	3.31	3.31*de*	2.01*de*	48	21⅜	24⅝	10⅞	....	48	First quarter earnings negligible; output off	7
*d*3.68*ja*	*d*0.49*ja*	*d*0.49*ja*	*d*1.11*ja*	7⅞	1¾	2½	1¼	....	46	Deficit likely despite rigid economies	8
2.68	1.90	1.90*de*	1.69*de*	29⅝	15	19	8⅜	50% 3/29	36	Volume sales reported holding up well	9
2.60	*d*0.22	*d*0.22*de*	*d*2.25*de*	29¼	6⅝	11¼	6½	....	32	Disposing of numerous chain branches	10
0.29	1.48	1.48*de*	2.12*de*	21⅞	10	16⅞	12	....	33	First half sales of cigarettes less than '31	11
†11.98	11.51	11.51*de*	10.96*de*	250	107	121	50¼	....	30	Net slightly off but will exceed dividend	12
6.62	3.01	3.01*de*	2.47*de*	63¼	30¼	37⅜	19⅜	Note A	46	Outlook for slight drop in first half sales	13
5.88	3.12	3.12*de*	1.06*de*	59	16½	23	13⅞	100% 1/29	54	Sound co. but auto. mfg. decline cuts net	14
10.15	4.46	4.46*de*	*d*1.52*de*	107¾	22½	35⅞	19⅞	....	33	Depressed production likely for first half	15

†—On previous capitalization. *oc*—Year ended Oct. 31. *de*—Year ended Dec. 31. *ja*—Year ended Jan. 31. *my*—Year ended May 31. *d*—Deficit. *nv*11—11 mos. ended Nov. 30. *A*—Paid 4% stock in 1928, 1929 and 1930, and 2% in 1931.

Establish "An Open Stock Loan Market"

Wherein a Reader Suggests an Interesting Plan for Taking the Mystery Out of the Short Position

Editor, READERS' FORUM:

Our lawmakers and our brokers are engaged in another round of their years-long battle, the current controversy raging around short selling. As usual, it will end with the New York Stock Exchange continuing the extra-legal government of its own business, while our Representatives in Congress will have relieved their systems of a lot of excess words which, later on, will be postal-franked to the voters back home.

Whether our law framers really are as dumb as they appear, from the questions they ask and the statements attributed to them, I really don't know. I doubt if they could be. I realize how unsafe it is, politically, for a statesman to rest even a moment under the suspicion that he understands *how* Wall Street works, though curiously it is essential that he understand *what* Wall Street does to the people at large.

However, it does seem to me that, wilfully or accidentally, our solons run "smack dab" into a detour sign as soon as they start down the highway of Stock Exchange investigation, and after meandering around helplessly for ever so long finally wind up just where they started from. Either the road maps are all wrong, or the investigators can't read them. Which leads me to proffer a suggestion or two in the hope it may help those of the boys down in Washington who may be in earnest about stamping out the evils and avoiding the evil results of short selling.

Now, Mr. Editor, don't let any of your readers come back at me with arguments about short selling. I do not intend to be detoured. I'm no Congressman and red herrings have no catnippy effect on me. I'll admit everything the proponents of short selling say and I'll admit everything the opposition has to say. I'm not concerned just now with the good or ill of the practice at all—I'm suggesting how it can be regulated so as to interfere in no way with such economic function as it may perform, while keeping within due bounds its possibilities for evil.

Compel the New York Stock Exchange—and every other security market—to establish a genuine stock loan department. By "compel" I mean by law. Hitherto, just about the time Congress gets ready to pass a law reforming this or that phase of security buying and selling, the Stock Exchange comes forward and with an ingratiating smirk says: "Never mind, boys, the Governing Committee has just issued an order which takes care of the situation—so never mind a law." **And that's the end** of that.

Now, I urge that Congress not only require that a genuine stock loan department—or open stock loan market—be established to handle all stocks available for market loaning purposes, but that Congress also prescribe these legal safeguards and restrictions:

1. No broker or other member of a stock exchange shall be permitted to lend stock to himself or to any other broker or any other person, whether the stock is in his name or that of a client, and whether the ownership of the stock is vested in whole or in part in himself or a client.

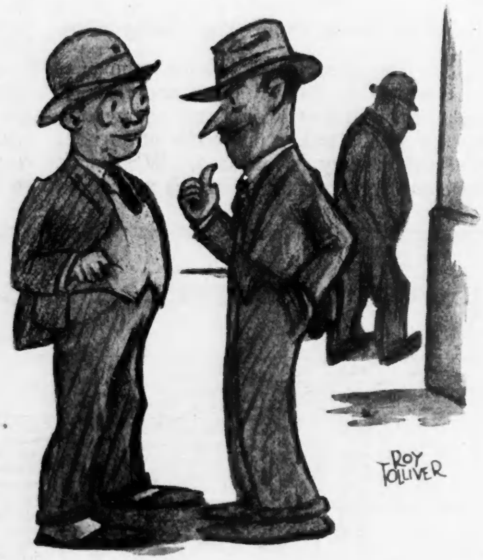
2. No broker or other member of a stock exchange shall be permitted to borrow stock for himself or for a client from himself individually or as an agent, or from another client, or from any other person, for the purpose of using the borrowed stock for delivery against a short sale—or for any other purpose whatever. (This would prevent the subterfuge of borrowing privately for substitution in a loan, and using the released certificate for delivery against a short sale.)

3. All stock available for loaning purposes, whether belonging to the member or to a client, shall be deposited with the stock loan department, or stock loan exchange, and shall be returnable upon demand—say 24-hours notice.

4. All stock required for delivery against a short transaction, or for any other purpose, shall be borrowed from the stock loan department, or exchange.

5. The stock loan department or exchange shall keep complete records of all stock

(*Please turn to page 56*)



Who's that downcast, sad-faced, abashed-looking fellow slinking around the corner, trying to dodge recognition?

He's the guy who invented the high-speed ticker.

Must Wages Be Further Adjusted?

A Suggestion for Economic Relief and an Unorthodox View as to How to Get It

Editor, READERS' FORUM:

It is true attempts made to hold up the price of a commodity which is in a condition of oversupply, have usually done far more harm than good.

It is true that the price of practically every commodity with the important exception of labor, has fallen to an extremely low price.

If we regard the prices of all commodities as forming an arch, which we will suppose has the power to move up or down as commodities gain or lose in price, the keystone of that arch would naturally be labor which enters into the cost of every commodity.

As long as prices advance the keystone retains its position and capitalism is a great success.

But what happens when prices decline? Why then capitalism goes all to pieces and is a rank failure.

What is the cause of this failure?

Let us look at our arch again and that will supply the information. The prices of commodities decline and the arch sinks slowly down. Now if it sinks evenly no very great damage will be done, but does it? Oh no. The President of the United States and the captains of industry get together and decide that the keystone must be held up, and at once proceed to put supports under it to prevent it sinking in accordance with all other commodities. The result is as usual in such cases, absolute failure. It has caused not only the ruin of labor itself but the ruin of the whole country as well because labor is the keystone and when the keystone is out of position the whole arch falls.

Hogs are worth about $4 per hundred pounds. A bricklayer gets about $12 per day. In order to employ this bricklayer for one day the farmer has to raise and sell a 300 pound hog.

It is impossible for us to raise the price of hogs, therefore the only way we can make things balance is to lower the wages of the bricklayer, and it seems certain that until that is done we cannot have a return of prosperity.

To illustrate the point, Russia pays only sufficient wages to enable her people to exist, but everybody is working. Since the value of the pound in England declined, and a duty was put on imports, the condition of the country has visibly improved and everybody feels more cheerful. The reason is that the real value of wages has declined without any actual reduction in amount.

This letter, contributed by a reader of The Forum, sets forth a depression-relief theory of unusual interest, although one which is open to very valid differences of opinion. It is presented without endorsement, but in recognition of its thought-provoking qualities. We invite other readers to reply to it, if they choose.

Suppose that all wages and salaries including that of the President, all kinds of employees, City, State and Federal, and all industrial employees were reduced 30 or 40%, some interesting consequences would ensue. For instance, U. S. Steel could reduce the price of steel rails to a point where it would pay the railroads to buy.

The Pennsylvania Railroad would have plenty of money to buy steel rails, and no doubt would give a big order; then U. S. Steel would call in thousands of its men who are now idle and put them to work at a reduced wage scale of course.

Another effect would be a great reduction in taxes, if these things happened there would be a great revival of speculation and investment which at present are dead. Capital which now is hiding in holes and corners would be drawn forth and the circulation of money would increase rapidly. Hope and confidence would replace fear and pessimism.

Is it not better for everybody to be working and producing goods even if they are getting low pay for it than to have a vast body of men idle and supported by charity or the state? And if everybody is working and producing goods and services at low cost, does it not follow that for the wage earner's low pay he will be able to purchase almost as much as formerly he could for higher pay?

Now if these things are true and it would seem that they are, is it not also true that drastic reductions in wages and salaries all around is the key and the only key to the return of business activity? And in that case is it not the duty of everybody whose opinion has influence to express those views so that finally some action may be taken?

Ought not capital come out in the open and fight for low costs even at the risk of strikes and lockouts? Is it not better to die fighting than to be slowly but surely destroyed by the dry rot of continuing to operate either in the red or very close to it?

Now in order that the wheels of industry may start again and that we may get rid of this dreadful depression which is threatening the jobs and the prosperity of each one of us.

In order that investment and speculation may be encouraged to start up again and put to work the millions of unemployed.

In order that people who are working now may no longer have the feeling that their jobs are insecure and may spend or invest the money they are now hoarding or saving.

In order that the credit structure of the country may be rebuilt and put untold millions of dollars in active circulation again.

I propose the following two-year plan:

That *every* person, from the highest to the lowest, who is receiving salary or wages either volunteer or be compelled to cut the rate of his or her pay 33⅓% for the term of 3 months.

That a restoration of the present rate of pay be accomplished by an advance of 5% at the end of the 3 months, and also at the end of each following 3 months so that at the end of two years the old rate would be restored.

That this plan start as soon as possible.

That in advance of the start of this plan every merchant or dealer in basic materials, such as brick, lumber, iron

(Please turn to page 56)

Spotty Improvement Now Visible In The Business Picture

CHEMICALS

Prices Stabilized But Demand Lethargic

ALTHOUGH physical output in the various divisions of the chemical industry has increased since the first of the year, the upswing has been far short of a normal seasonal increase even under depression conditions. After registering improvement earlier this spring, alkali output and deliveries have slumped off and the immediate outlook is not very bright. Diminishing operations of oil refiners, accentuated by drastic economy drives, have combined to lessen demand for chemicals from this usually reliable source. Fertilizer materials have suffered marked recession in demand and the division is not expected to recover

(*Please turn to page* 63)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1932 High	1932 Low	Last*
Steel (1)	\$0.01¾	\$0.01½	\$0.01⅝
Steel (2)	0.01⅝	0.01½	0.01⅝
Pig Iron (3)	15.50	15.00	15.25
Copper (4)	0.07½	0.05½	0.05¾
Lead (5)	0.03¾	0.03	0.03
Petroleum (6)	0.84	0.69	0.84
Coal (7)	1.50	1.20	1.25
Cotton (8)	0.07⅛	0.06⅛	0.06⅛
Wheat (9)	0.86	0.44¾	0.63
Corn (10)	0.38¼	0.29½	0.32
Hogs (11)	16.50	7.50	11.50
Steers (12)	14.00	9.00	12.00
Coffee (13)	0.09⅞	0.08¾	0.09¼
Rubber (14)	0.04$\frac{1}{16}$	0.03	0.03
Wool (15)	0.60	0.48	0.48½
Sugar (16)	0.03⅛	0.02⅝	0.02⅝
Paper (17)	53.00	53.00	53.00
Lumber (18)	17.67	13.18	13.18

* April 25, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, \$ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. \$ per bbl. (7) Pitts., steam mine run, \$ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), \$ per bu. (10) No. 3 Yellow (Chic.), \$ per bu. (11) Fresh loins, 10-12 lb (N. Y.) \$ per 100 lb. (12) 550-700 lb. (N. Y.) \$ per lb. (13) Santos, No. 4 (N. Y.), c. per lb. (14) Smoked sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), \$ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Improved rail and tin plate production, aided by slightly greater automobile activity, has increased demand for steel, so that operations for the United States have expanded slightly to 22½% of capacity. Marked price weakness has developed for scrap steel and because of its barometric significance further weakness may develop in finish steel prices.

PETROLEUM—Further curtailment of East Texas crude output to an average daily maximum of 325,000 barrels has been assured by another cut in well flow to an allowable daily maximum of only 67 barrels. The recent rise in crude prices has been met by refiners, who in turn have again raised gasoline prices.

COPPER—Considerable agitation for a tariff of 5 cents a pound on copper has been made before the Senate Finance Committee, but because the larger American copper companies own low-cost subsidiaries outside this country the proposal may be rejected. Foreign takings have dropped to negligible amounts and the nominal prices of 5¾ cents a pound for domestic copper and 6 cents for foreign c.i.f. metal may have to be cut to move the huge surplus.

PAPER—Material declines in wood pulp prices have occurred because of larger grinding capacity, intense competition and smaller demand. Newsrolls, however, still sell at \$53 a ton at New York but a drop may take place in the near future. Practical elimination of profits has led to talk of another 10% wage cut but real recovery depends upon better consumption.

COTTON—Price movements of cotton have moved counter to the securities markets in the past three months. Better basic conditions appear to be shaping the supply factors. Smaller United States acreage, even to the extent of 12% less, is regarded as a foregone conclusion. World consumption of United States cotton in the present crop year since August 1 has exceeded the 1931 period by 15%.

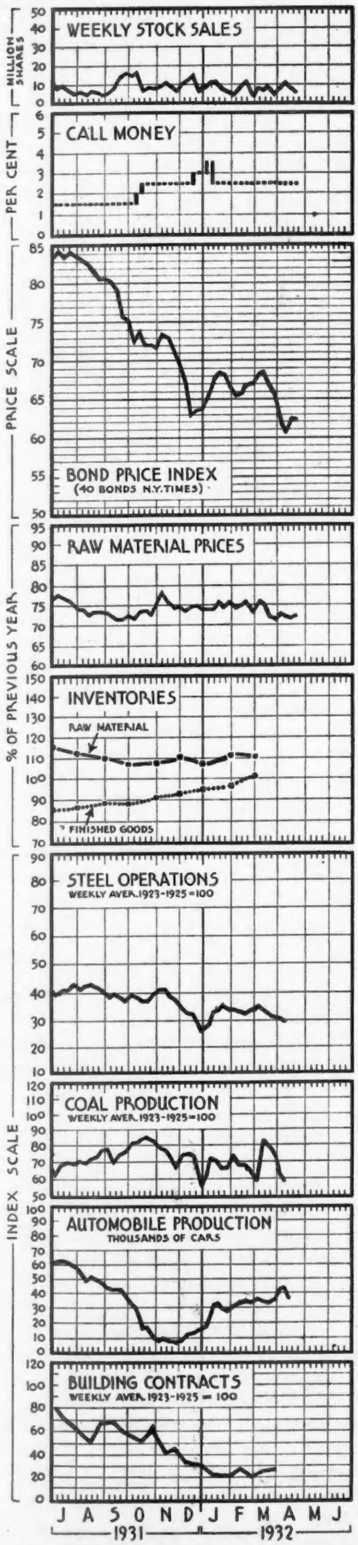
SILK—Although moderately greater activity has been reported by the hosiery and broadloom divisions, operations in the silk industry as a whole have been reduced to 30% of single-shift capacity. Poor demand and less active futures trading have tended to cause raw silk quotations at New York to drop to around \$1.35 a pound.

TIN—Tin plate operations in the United States are now above 50% of capacity for the first time this year. Despite this improvement, demand for tin from other consuming industries has dropped, so that consumption for the country as a whole has receded heavily. A cut in output is expected by leading producers as a result of the proposed Paris tin conference.

WHEAT—Private estimates of the winter wheat crop in the United States are smaller than the recent Government estimate and this coupled with increases in foreign import quotas have been constructive developments in the wheat price situation. May wheat at Chicago is expected to hold firm around 57 cents a bushel, and if the Federal Farm Board keeps out of the market even better price may be established.

The Magazine of Wall Street's Indicators

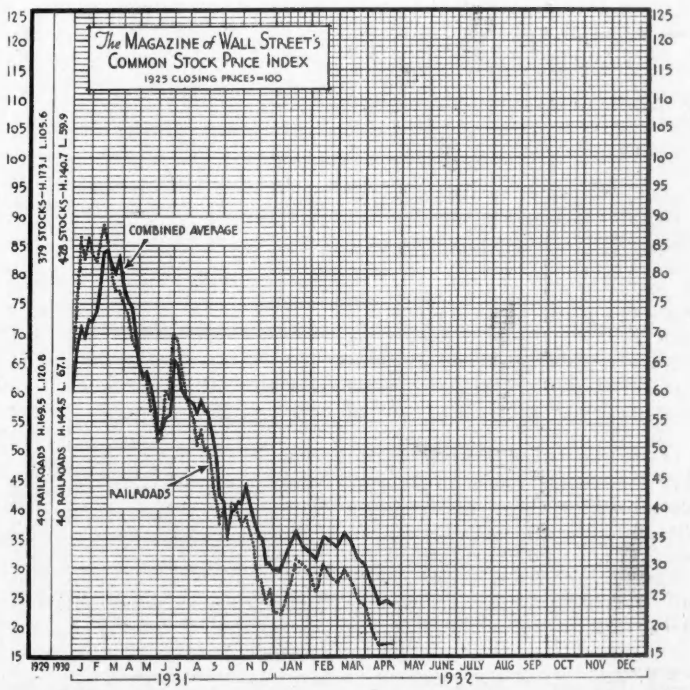
Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues		1932 Indexes High	1932 Indexes Low	Apr. 9	Apr. 16	Apr. 23
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	23.1	23.7	24.0	23.1*
142.4	33.0	34.8	4	Agricultural Implements	48.3	24.6	24.6*	25.2	25.4
121.2	19.7	21.2	7	Amusements	43.0	20.7	21.2	22.6	21.4
76.9	23.9	23.9	21	Automobile Accessories	27.8	15.4	16.0	15.9	15.4*
37.0	12.1	13.1	16	Automobiles	14.4	7.6	7.7	7.9	7.6*
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)	34.6	22.4	22.4	23.6	23.7
38.4	8.3	9.7	3	Baking (1926 Cl.—100)	12.0	6.4	6.6	6.7	6.4*
212.8	112.5	112.5	2	Biscuit	129.9	96.5	100.7	101.5	96.5*
162.2	48.1	49.5	5	Business Machines	65.0	40.5	43.7	44.5	40.5*
188.5	96.5	99.3	2	Cans	119.0	74.3	88.9	81.5	74.3*
157.8	76.2	81.6	7	Chemicals & Dyes	98.3	70.2	73.0	72.4	70.2*
71.8	20.8	21.4	3	Coal	26.7	18.6	20.1	19.8	18.6*
73.7	18.9	19.5	19	Construction & Bldg. Mat.	24.6	13.3	13.9	14.2	13.3*
92.4	30.1	30.2	11	Copper	36.7	19.5	19.5*	22.1	20.7
98.0	45.8	47.2	2	Dairy Products	57.8	41.7	44.5	46.6	41.7*
30.2	9.6	10.1	9	Department Stores	14.8	7.2	8.1	7.8	7.2*
120.4	52.0	53.1	8	Drug & Toilet Articles	65.4	45.4	45.4*	46.7	46.8
149.3	44.7	46.9	5	Electric Apparatus	55.1	35.5	37.7	37.3	35.5*
21.5	4.3	4.6	3	Fertilizers	5.5	2.9	2.9*	3.4	3.0
91.3	40.8	41.7	2	Finance Companies	58.7	38.9	39.9	41.4	38.9*
80.1	43.7	45.3	7	Food Brands	50.4	37.8	37.8*	38.8	37.8
83.0	44.4	45.0	3	Food Stores	56.4	42.5	42.5*	43.9	43.6
51.7	21.7	21.8	3	Furniture & Floor Covering	38.2	21.0	26.2	21.4*	23.3
45.5	16.6	17.0	5	Household Equipment	21.1	13.1	13.7	13.3	13.1*
89.5	17.1	19.1	10	Investment Trusts	26.4	14.0	14.2	14.7	14.0*
96.3	26.1	26.1	3	Mail Orders	27.4	13.5	13.6	14.0	13.5*
69.2	22.3	23.4	31	Petroleum & Natural Gas	29.2	21.6	22.9	23.1	21.6*
69.8	12.7	13.6	4	Phonos. & Radio (1927—100)	17.5	9.3	9.7	9.8	9.3*
196.8	77.0	78.1	20	Public Utilities	87.6	53.6	53.6*	58.5	56.7
73.1	20.6	21.2	10	Railroad Equipment	26.9	16.0	16.0*	16.1	15.0
88.4	22.5	22.5	30	Railroads	31.3	16.7	16.7*	16.8	16.9
100.7	41.8	41.8	3	Restaurants	42.3	26.1	26.1*	29.4	29.0
38.0	8.8	8.8	3	Shipping	14.3	7.4	9.2	8.4	7.4*
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100)	89.2	64.8	67.1	64.8*	66.7
93.3	25.3	25.8	9	Steel & Iron	30.7	18.1	19.0	19.9	18.1*
18.9	7.3	7.3	5	Sugar	9.4	4.4	4.4*	5.2	4.4
218.0	84.2	89.5	2	Sulphur	101.7	71.9	71.9*	78.6	73.9
132.4	44.5	44.5	3	Telephone & Telegraph	54.4	33.6	35.5	35.0	33.6*
46.1	16.1	18.2	5	Textiles	24.6	16.6	16.6	17.9	19.0
15.8	4.4	4.9	5	Tires & Rubber	6.0	3.6	3.6*	3.7	4.2
78.6	47.0	48.3	5	Tobacco	68.6	48.3	51.8	52.8	51.5
86.1	26.1	26.1	4	Traction	57.0	25.5	36.5	36.3	36.7
82.0	44.5	44.9	2	Variety Stores	50.9	34.0	34.0*	36.7	35.4

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your inquiries to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

GIMBEL BROTHERS, INC.

I hold 300 shares of Gimbel Brothers common which cost me $3 a share. I recently noted that the company passed the dividend on the preferred stock, and while my commitment was made as a speculation, I am wondering what the outlook is for this company. Shall I maintain my present position or dispose of the shares?—H. T. K., Atlanta, Ga.

Earnings record of Gimbel Brothers, Inc., reveals a steady downward trend from 1924 to and including the 1928-1929 fiscal year. In the 1929-1930 fiscal year, a sharp reversal was registered, although subsequently the decline was resumed and continued throughout the fiscal year just closed. Despite operating economies effected during the year ended January 31, 1932, and although the number of transactions over the company's counters was the largest in its history during that period, a deficit of $1,791,352 was incurred from operations for the period. This compares with net profit of $379,844 in 1931 fiscal period and to $804,484 in the 12 months ended January 31, 1930. Dollar sales volume during the year fell off 13.4%, amounting to $97,982,883. Obviously inventory write-downs necessitated at the year-end accounted for the major portion of the company's loss experienced during the year. Financial position during the year, however, remained strong, current assets, including cash of $6,420,736, amounted to $28,300,128 as compared with total current liabilities of $5,659,881, leaving net working capital of $22,640,247. Certainly, the absence of any bank loans will prove to the company's advantage during the present period of unsettlement in the money market. However, the recent omission of dividends on the preferred stock is indicative of the rather confusing outlook for the company during the current year, although it should be pointed out that preferred dividend requirements have not been covered by earnings since the 1927-1928 fiscal period. The company occupies a prominent position in the department store field, operating a chain of Gimbel stores in New York, Philadelphia, Pittsburgh and Milwaukee, as well as Saks 34th Street, and Saks Fifth Avenue of New York and Chicago. Inasmuch as earnings recovery for the company is likely to be a long drawn out affair, we frankly fail to recognize the incentive for representation in the common stock.

SEARS, ROEBUCK & CO.

Is the decline of Sears, Roebuck & Co. stock caused by the decrease in sales for the third period of 1932? I have 135 shares purchased around 35. I would like your opinion as to the outlook for the company and whether I should continue to hold or sell now.—A. J. G., Detroit, Mich.

Sears, Roebuck & Co. which won its place in the merchandising field, through mail-order leadership, has expanded its urban department store division in the past five years so rapidly that in 1931, store sales were larger than the mail-order total. Reduced agricultural purchasing power and lower dollar values, carried mail-order sales down $48,000,000 to around $170,000,000 whereas, increased outlets and aggressive merchandising policies raised the store sale dollar volume $5,000,000 to approximately $175,000,000. The 1931 total sales of $347,209,054 were down only 11.1% from the $390,382,107 sales in 1930. Net earnings were kept in line relatively well, the 1931 showing of $12,169,672 or $2.47 a share on the 4,920,530 shares of common stock (sole capital liability) outstanding at the end of the year comparing with $14,308,897 or $3.01 on a somewhat smaller number of shares in 1930. The sales declines thus far in 1932, compared with the corresponding periods of 1931 have been abrupt. In the first four-week period, sales dropped 17.5%, the dip slowing to 16.5% in the second four weeks' period, and increasing to 19% in the third period. The last decline was partly attributed to adverse weather conditions. It is believed that comparisons will grow less unfavorable as the year progresses and parallels the unfavorable months of 1931. It has been estimated that earnings could be maintained around 1931 levels with sales $20,000,000 lower, as a result of new economies including the $2,000,000 wage and salary cut effective three months ago. The balance sheet position of the company on December 31, last was encouraging. Cash was down about $1,600,000 but notes payable had dropped $5,000,000 to $12,000,000 and inventories were down $8,-

When Quick Service is Required Send Us Prepaid Telegram and Instruct Us to Reply Collect

000,000 to $52,028,455. Total current assets of $123,779,883, including $36,188,982 cash, marketable securities and purchase money notes, compared with current liabilities of $25,256,512. It is obvious that the management of Sears, Roebuck & Co. has been largely successful in resisting unfavorable trade conditions over the past two years. On the basis of this management and the vital place held by the company in the merchandising field, we counsel against the sacrifice of holdings at current levels.

AMERICAN TOBACCO "B"

I have 300 shares of American Tobacco "B" purchased well above present prices. In the past I have not worried, as I have always looked upon this company as a sound investment. With the publication of the 1931 earnings I fully expected that if it did not advance, at least it would hold steady and now it is close to its low point. Is the new "Roll Your Own" cigarette making contrivance responsible for the sharp falling off of cigarette output generally, in evidence during the past two months? I do not care to carry my stock through another decline. What do you advise?—L. M. R., Philadelphia, Pa.

There is every indication that the keenest of competition will be witnessed in the tobacco industry during the current year, with practically all companies engaged therein finding themselves somewhat hard-pressed to equal last year's results. This prediction is based on the declining trend of cigarette withdrawals in evidence during the final months of last year and the first two months of 1932, particularly the latter, when the reduction amounted to 9%. However, a study of the annual report of American Tobacco Co. for last year finds that company in a strong position to cope with the situation. The report is almost paradoxical. Despite the decline of withdrawals referred to above, American Tobacco increased its percentage of the total cigarette business of the United States, which factor, coupled with higher prices prevailing during the year, accounted for the record breaking profits reported for 1931. Net income amounted to $46,189,741 or $9.07 a share on the combined common and common "B" stocks outstanding, after allowing for preferred dividend requirements. This compares with net earnings of $43,294,769, or $8.56 a combined share, on a smaller amount outstanding in 1930. Balance sheet at the close of last year showed an exceptionally strong financial condition; the ratio of current assets to current liabilities amounted to almost 32 to 1, while for every dollar of current liabilities there was six dollars in cash. Although "Lucky Strike" cigarettes account for substantially the greater part of Ameri-

can Tobacco's revenues, the company is exerting its efforts to bolster the sales of its other products, particularly "Bull Durham" smoking tobacco. In this connection, the new "Roll Your Own" cigarette making device should prove a favorable influence on "Bull Durham" sales. Whether the company can maintain earnings during the current year at last year's level, remains an open question; but, in our opinion, present prices for the B stock fairly well discount this uncertainty. Certainly, past record, strong financial condition, capable management and the leading position of the company warrant continued confidence on the part of present shareholders.

GENERAL BAKING CO.

In 1931 on the advice of a friend I bought 200 shares of General Baking at 22. In spite of its fine earnings showing for 1931 the stock is considerably down this year. Do you think this stock will come back or do you advise switching into some other company with greater prospects for recovering my losses? I will appreciate an early reply.—M. M. M., Dayton, Ohio.

Despite the depression, the axiom "Bread is the staff of life" is still true, if we are to judge by the accomplishments of General Baking Co. for 1931. Obviously, there has been a falling off in consumer demand with a resultant materially overbuilt status of the baking industry as a whole; but sales volume of General Baking apparently was satisfactorily maintained at the expense of its competitors. Of course, it cannot be gainsaid that its slight dependence on cake sales was a major contributing factor, as well as the aggressive advertising campaign carried on during the year. In connection with the latter, the new "Sunshine Vitamin-D" bread has been favorably received by the public, to say nothing of its "Bond" bread, the sales of which no doubt practically supported the company during the last year. In spite of a million-dollar increase in advertising expenses last year and a decline in business, net income applicable to dividends on the preferred and common stocks was only 6.3% below that of 1930. To be exact, net profits for the year ended December 26, 1931, amounted to $4,838,122 or $2.57 a share on the common stock, after preferred dividends, against $5,165,982, or $2.78 a share on the same basis in the preceding year. Balance sheet, as of December 26, last, revealed several important changes for the better, and a stronger financial condition. Cash was increased during the year, and inventories lowered, while the current ratio approximated that of 3.4 to 1 reported at the close of 1930. Funded debt was reduced by $1,000,000, amounting to $6,000,000 of which $288,922 are held in the treasury for the 1933 sinking fund call. In the course of the simplification of the capital structure early last year, good-will was written down to $1 from $5,675,748, the difference being charged to surplus. An accurate forecast of 1932 earnings cannot be made at this time, but General Baking Co. as now constituted, appears well able to cope with existing conditions and should give a favorable account of itself at the year-end. While the common stock is admittedly speculative, retention of your holdings is advisable at this writing.

GENERAL MOTORS CORP.

There is so much talk about the Motors leading us out of the depression and yet their stock prices continue to decline. I hold 150 shares of General Motors at much higher prices and read so much contradictory news in the paper that I don't know what to do. Will you give me the facts? Will the reduced prices on Chevrolet enable them to hold up earnings even with greater sales volume? With the menace of the "Ford 8" can sales be increased to a point that will count? Do you advise me to hold or would you switch to some other company or would you average down my cost price?—D. J. A., Butte, Mont.

Any widespread situation that affects the pocketbooks of the American public, must necessarily be reflected in the sales of General Motors Corp., the world's largest automobile manufacturing enterprise. From Chevrolet, priced to compete in the lowest priced automobile group to the 16-cylinder Cadillac, the company is represented in all of the major classes of automobiles. In addition, the company has such widely diversified interests as aviation, mechanical refrigeration and farm lighting. An aggressive overseas expansion policy has carried the company's products around the world. 1931 unit sales were off only 100,000 to 1,074,709, but there has been a sharp drop in the first quarter of 1932, with unit sales about 35% below those for 1931. As long as public buying is on a restricted basis, the principal source of revenue is the Chevrolet. Since the appearance of the new Ford 8-cylinder car, competition has become extremely keen in the lowest priced group, but Chevrolet production costs have been substantially reduced, and the savings passed along to buyers. From the aggressive steps taken by the General Motors management to meet competition in the lowest priced car group, and the success encountered thus far, it is reasonable to believe that Chevrolet will at least hold its own. As a matter of fact, it is understood that there were many orders for new cars deferred pending the appearance of the new Ford, and these are now materializing among the other companies, largely Chevrolet. The General Motors campaign, featuring special displays of the corporation's products in 55 leading cities, has been reasonably successful, and it is our belief that sales would respond to any revival in general public buying. The 1931 earnings of $2.01 a share compared with $3.32 a share, necessitating a reduction in the annual dividend rate to $2. Although the company was in a strong financial position at the close of 1931, with cash assets of $205,000,000 equal to more than two years dividend requirements on both common and preferred stocks, it is logical to believe that maintenance of the present dividend rate is dependent upon stabilization of profits around 1931 levels. Thus far this year, earnings are believed to be well under those for the corresponding period of 1931, but in view of the thoroughness with which the company covers the automobile field, the demonstrated ability of its management to meet adverse conditions, and the prospects for an eventual revival of large scale automobile buying, we advise against sacrificing holdings at current levels.

METRO-GOLDWYN PICTURES CORP.

What is your opinion of Metro-Goldwyn Pictures? I have a block purchased at an average price of 24. In view of the big decrease in earnings shown in the last period reported as compared to the same period in 1930, do you advise me to sell my stock?—J. E. B., Boston, Mass.

The Metro-Goldwyn Pictures Corp. found its inception on May 17, 1924, through the consolidation of Goldwyn Pictures Corp. and Metro Corp. The merger resulted in a company that ranks as the leading unit in the production and distribution of motion pictures. The management is regarded as conservative, yet aggressive, which factor, accounts for the strategic position of the company in the motion picture industry today. All of the common stock of Metro-Goldwyn Pictures Corp. is owned by M.G.M. Co., Inc., an intermediate holding company for Loew's, Inc. This factor assures an ideal outlet for Metro-Goldwyn productions, which augurs well for the future. Earnings record of the company reveals a steady upward trend since its organization to and including the fiscal year ended August 31, 1930, when record levels were reached. Although earnings registered a rather pronounced decline during the 1931 fiscal year, the percentage of reduction was not as large as that recorded by most companies engaged in the industry. Net income for the fiscal year ended August 31, 1931, amounted to $6,257,998 as compared with $9,924,869 in the preceding fiscal year. Reduced to a per

(Please turn to page 54)

New York Stock Exchange

RAILS

	1930		1931		1932		Last Sale 4/20/32	Div'd $ Per Share
A	High	Low	High	Low	High	Low		
Atchison	242½	168	202⅝	79¼	94	39¾	45¾	4
Do Pfd.	108¾	100	108¼	75	86	58½	63½	5
Atlantic Coast Line	175½	95¼	120	25	41⅛	14	†15⅛	4
B								
Baltimore & Ohio	122⅝	55⅝	87⅞	14	21⅝	8¼	9¾	..
Bangor & Aroostook	84½	50⅛	66¾	18	24½	16½	†15	2
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	30½	37	4
Do Pfd.	98¾	83	94¼	63	78⅜	63⅝	66	6
C								
Canadian Pacific	52¼	35¼	45⅜	10¾	20⅝	10⅞	13	1¼
Chesapeake & Ohio	51⅜	32⅜	46½	23⅜	31½	12¾	17⅛	2½
C. M. St. Paul & Pacific	26⅜	4¼	8⅞	1½	8¼	1⅜	1½	..
Do Pfd.	46¼	7¾	15⅜	2⅛	5¼	1½	†2⅛	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	4½	5⅜	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	4½	5⅞	..
D								
Delaware & Hudson	181	130⅛	157¼	64	89⅛	50¼	52¾	9
Delaware, Lack. & Western	153	69⅛	102	17¾	28¾	11	14½	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	3¾	†4⅝	..
Do 1st Pfd.	67⅞	27	45½	6⅜	13½	4½	†5⅛	..
Do 2nd Pfd.	62½	26	40½	5	9½	4	4⅛	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	10	11½	2
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30⅜	17¼	†18	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	9½	11	..
Interborough Rapid Transit	39½	20⅜	34	4⅝	14⅝	5⅛	6⅝	..
K								
Kansas City Southern	85⅜	34	45	6⅞	13¼	5	5⅝	..
Do Pfd.	70	53	64	15	23¾	11	11	4
L								
Lehigh Valley	84⅞	40	61	8	18	7¼	†9	..
Louisville & Nashville	138½	84	111	20¼	32⅜	12½	13	4
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	2⅝	3⅝	..
Do Pfd.	108⅜	60	85	10½	21⅞	8⅝	11¼	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	3	3½	..
Do Pfd.	145½	79	107	12	26	6⅜	8	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	18⅛	20⅛	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	3⅛	3⅛	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	12⅛	15½	..
Norfolk & Western	265	181½	217	105⅝	135	72	82½	*12
Northern Pacific	97	42⅜	60⅞	14½	23¼	10	11¾	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	12	13⅝	2
Pere Marquette	164½	76½	85	4	13	4	†5¼	..
R								
Reading	141½	73	97½	30	42	17¾	†18	1
Do 1st Pfd.	50⅛	44⅛	46	28	33	20	†21	2
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	1¾	2⅛	..
St. Louis-Southwestern	76¾	18	33½	4¼	11½	4	5	..
Southern Pacific	127	88	109½	26½	37⅝	11¼	14¾	..
Southern Railway	136¾	46½	65⅞	6⅜	13	5	6	..
Do Pfd.	101	76	83	10	20½	6½	8	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	46½	54	10
Do Pfd.	88⅜	82¼	87	51	68	51½	54	4
W								
Western Maryland	36	10	19⅝	5	7¾	2¾	3⅛	..
Western Pacific	53½	23	31⅝	3	6⅝	2⅛	†2	..

INDUSTRIALS and MISCELLANEOUS

	1930		1931		1932		Last Sale 4/20/32	Div'd $ Per Share
A	High	Low	High	Low	High	Low		
Adams Express	37⅜	14¼	23½	3⅛	5¾	3	3⅛	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	62½	37¼	37¾	*4½
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅛	1	1¼	..
Allied Chemical & Dye	343	170¼	182¾	64	87½	57¾	58½	6
Allis Chalmers Mfg.	68	31¼	42¾	10½	13⅝	7½	7⅝	.50
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	8	†8¼	1.60
American Can	156½	104⅝	129¾	58⅛	73⅞	43¼	43½	*5
Amer. Car & Fdy	82½	24⅛	38¾	4½	8¾	4⅛	5	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	2¼	4	..
American Ice	41⅞	24½	31⅝	10½	21⅝	12	14¼	2
Amer. International Corp	55⅜	16	26	5	8½	4⅛	4⅝	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	13⅛	16	1.40
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	16⅞	6¼	9	1
Amer. Radiator & S. S.	39¾	15	21½	5	8⅛	4⅜	5	.40
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	13	7	7	..
Amer. Smelting & Refining	79½	37½	58½	7½	18⅝	7½	9	..
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	4¼	†4½	..
American Stores	55½	36½	48¼	33	36¾	32¾	33	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	15	†18⅛	4
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	137⅜	97¼	98¾	9
Amer. Tobacco Com.	127	98½	128¾	60½	86¾	63	66	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	34½	18½	19⅝	3
Anaconda Copper Mining	81½	25	43¼	9¼	12⅜	4½	5⅜	..
Assoc. Dry Goods	50½	19	29⅝	5¾	8¼	3½	4⅛	..
Atlantic Gulf & W. I. S. S. Line.	80⅜	33	89	10	10⅛	7½	†7	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	12⅞	8⅝	9¾	1
Auburn Auto	263¾	60⅜	295⅛	84⅛	151¾	87⅛	89⅝	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale 4/20/32	Div'd $ Per Share
	High	Low	High	Low	High	Low		
B								
Baldwin Loco. Works	38	19⅝	27⅞	4⅝	8½	3¼	4	..
Barnsdall Corp. Cl. A	34	8⅝	14⅛	4	5⅞	4	4	..
Beech-Nut Packing	70⅛	46¾	62	37½	44¾	36½	37¾	2
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	6¾	7	.60
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	13¼	14	2
Bethlehem Steel Corp.	110¼	47⅜	70⅜	17¼	24⅞	12½	13¼	..
Bohn Aluminum	69	15¾	43	15½	22¼	8	8¾	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	30⅛	31½	3
Borg Warner	50½	15	30¾	9	12⅝	6⅜	7	1
Briggs Mfg.	25⅜	12⅛	22¾	7⅛	11¾	5	5⅞	1
Burroughs Adding Mach.	51⅞	18⅜	32¼	10	13	6¾	7½	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	19	7⅛	8½	..
C								
California Packing	77½	41¼	53	8	11⅞	5⅝	6⅞	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	2	2⅛	..
Canada Dry Ginger Ale	75⅝	30½	45	10⅝	13½	6¾	8¼	1.20
Case, J. I.	362¾	83½	131½	33¼	43⅜	23⅝	24⅜	..
Caterpillar Tractor	79¾	22	52½	10¼	15	6½	6½	1
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	5½	6⅜	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	6½	10	3
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	8¼	9⅛	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	93⅝	94½	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	22¼	22½	2½
Columbian Carbon	199	65⅛	111⅝	32	41⅞	23	23¾	3
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	16⅛	6½	8	1
Commercial Credit	40¾	15½	23¼	8	11	7¾	8	1
Commercial Solvents	38	14	21⅛	6⅝	10¼	5½	6⅛	.60
Commonwealth & Southern	20½	7½	12	3	4⅞	2⅛	2½	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	48⅝	50¼	4
Continental Baking Cl. A	52½	16¾	30	4½	7	3⅛	3⅝	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	24⅝	25½	2½
Continental Oil	30½	7¾	12	5	7	4⅞	5	..
Corn Products Refining	111⅜	65	86⅝	36¼	47⅜	29⅛	31	3
Crucible Steel of Amer.	93⅝	50⅛	63	20	23¼	10½	†10	..
Cudahy Packing	48	38⅛	48⅞	29	35½	28⅞	29	4
Curtis Publishing	126⅛	85	100	20	31	15	†17	2
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	1	1¼	..
D								
Davison Chemical	43⅝	10	23	3⅛	5¼	2	2⅛	..
Diamond Match	24⅞	10	23	10⅝	15⅞	12	13½	1
Dominion Stores	30⅝	12	24	11	18	13	14½	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	33¾	37⅞	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	30	30¼	4
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	52⅜	53¾	5
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	8	4¼	4½	.50
Electric Auto Lite	114⅞	33	74¾	20	32¾	13⅜	15	4
Elec. Power & Light	108½	34¾	60¾	9	15⅜	5½	7½	1
Elec. Storage Battery	79¼	47½	66	23	33¼	16⅝	18⅛	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15⅜	11¾	12	1
First National Stores	61⅜	33⅝	63	41	53	39½	42⅞	2½
Foster Wheeler	104½	37⅛	64⅛	8	12	4⅞	5½	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅜	2	†2⅛	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	14	15	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	16½	17	4
General Asphalt	71⅛	22⅜	47	9⅝	15½	7⅜	8½	1
General Electric	95⅜	41½	54¾	22⅞	26½	13⅞	13⅞	1
General Foods	61¼	44⅜	56	28¼	40½	31⅝	33	3
General Mills	59⅛	40⅛	50	29⅛	37	28½	30¼	3
General Motors Corp.	54¼	31½	48	21⅜	24⅝	10⅞	11⅜	2
General Railway Signal	106⅞	56	84⅛	21	28⅝	13	15⅞	3
General Refractories	90	39	57⅜	12	14¾	6¼	†6⅛	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	16½	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅝	11¼	13	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	2⅞	3¼	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	18¾	9⅛	9⅝	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	7¾	3⅝	4	..
Grand Union	20⅝	10	18⅞	7	9¾	5⅛	†5¾	..
Great Western Sugar	34½	7	11⅞	5¾	6½	3¼	4½	..
H								
Hershey Chocolate	109	70	103¾	68	83	62	†65	6
Houston Oil of Texas (New)	116⅞‡	29¼‡	14	3	5⅛	2⅝	2¾	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	4⅛	4⅜	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	2	2	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	75½	78½	6
Inter. Cement	75⅝	49½	62½	16	18¾	7½	8¾	2
Inter. Harvester	115¾	45¼	60½	22⅝	29¾	16½	19⅝	1.80
Int. Match Pfd.	92	52¼	73¼	11	24½	½	⅝	..
Inter. Nickel	44⅜	12¾	20⅛	7	9¼	5⅜	5⅞	..
Inter. Tel. & Tel.	77⅜	17½	38¾	7⅛	12¼	4⅝	5⅞	..
J								
Jewel Tea	66½	37	57½	24	35	25	26¼	*4½
Johns-Manville	148⅜	48¾	80¾	15⅝	25½	10¼	11	..
K								
Kelvinator	26⅝	7⅜	15½	6	10⅜	5¼	6	..
Kennecott Copper	62¾	20⅛	31½	9⅝	13	5½	7⅛	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	8⅜	10	1.60
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	¼	¼	..
Kroger Grocery & Baking	48⅛	17⅛	35½	12½	18⅞	11⅜	12⅜	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	35⅛	35¾	8
Lehn & Fink	36	21	34¾	18½	24¼	15	16¼	3
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	61⅜	45⅜	49¼	*5
Liquid Carbonic	81⅞	39	55⅛	13⅛	22	14	14½	2
Loew's Inc.	95¾	41¾	63½	23⅞	34	20⅜	22⅛	*4

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BALTIMORE & OHIO RAILROAD

A statement of operations for the year 1931, including condensed Income Account, may be obtained by quoting (924).

GENERAL AMERICAN TANK CAR CORP.

The extensive operations of this corporation can be obtained by referring to (927).

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	4/20/32	Share
L								
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	27½	†28	3
Lorillard	28⅛	8¾	21⅞	10	16⅞	12	14¼	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	18⅛	12¼	13½	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	30	34	2
Magma Copper	52½	19¼	27⅜	7¼	8¾	4½	5	.50
Marine Midland	32½	17¾	24¼	9¼	12⅛	9⅜	9½	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	12¾	†13¾	2
May Dept. Stores	61⅜	27¾	39	15⅝	20	13	13	1.80
McKeesport Tin Plate	89½	61	103⅛	38½	62¼	37½	38	4
Mont. Ward & Co	49⅞	15⅛	29¼	6⅝	11¼	6½	7⅛	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19⅛	10⅜	11¼	2
National Biscuit	93	68⅝	83¾	36⅜	46⅞	29¼	32¼	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	14⅜	7¼	8⅞	..
National Dairy Prod	62	35	50¾	20	31⅜	21	22⅞	2.60
National Power & Light	58¾	30	44¼	10¼	16⅜	8⅜	11⅜	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	2¾	3⅝	..
North Amer. Aviation	15⅝	4¼	11	2⅜	4¼	1¾	†2⅛	..
North American Co.	132⅞	57¼	90¼	26	40	22½	23	§10%
O								
Ohio Oil	34⅛	16	19⅛	5⅛	7⅞	5	5¾	..
Otis Elevator	80⅜	48¼	58½	16⅛	22½	11	13	2
Otis Steel	38⅞	9½	16⅜	3½	4⅜	2	†2	..
P								
Pacific Gas & Electric	74⅞	40½	54⅞	29⅝	37	24⅝	26¼	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	2	2½	..
Paramount Publix	77¼	34¾	50¼	5½	11⅛	3⅜	4	..
Penney (J. C.)	80	27⅝	44¾	26¾	34⅛	26¼	27⅝	2.40
Phelps Dodge Corp	44⅜	19¾	25⅝	5⅞	8½	4	5¾	..
Philips Petroleum	44¾	11⅛	16⅝	4	6⅛	3⅞	4⅛	..
Prairie Oil & Gas	54	11¼	20⅝	4⅛	7⅛	4	4⅛	..
Prairie Pipe Line	60	16⅝	26½	6⅞	9⅜	5⅜	6	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	25½	28¼	2.40
Public Service of N. J.	123¾	65	96½	49⅛	60	38⅛	42½	3.40
Pullman, Inc.	89⅜	47	58½	15¼	25	14⅜	16⅛	3
Pure Oil	27¼	7⅝	11⅞	3¼	5⅛	3¼	4	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅝	6⅜	7½	2
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	10⅝	5	5½	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7	2⅜	†3¼	..
Remington-Rand	46½	14⅛	19⅜	1⅞	3⅝	2	2	..
Republic Steel	79½	10⅛	25⅜	4⅛	6½	3	3½	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	31¾	32	3
Royal Dutch	56½	36⅞	42⅝	13	23	13⅝	14⅜	..
S								
Safeway Stores	122⅜	38¾	69⅛	38⅝	59¼	39	44½	5
Sears, Roebuck & Co	100⅝	43⅛	63¼	30¼	37⅜	19⅜	20¼	2½
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	2½	2⅜	..
Shell Union Oil	25½	5¼	10¼	2½	4⅛	2⅝	2¾	..
Simmons Co.	94⅞	11	23¾	6⅞	10½	4¼	5¾	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4½	2⅛	†3⅛	..
Socony-Vacuum Corp.	..	..	21	8⅜	10⅜	8⅜	8⅝	1
So. Cal. Edison	72	40⅛	54½	28⅜	32⅜	23¼	24	2
Standard Brands	29¼	14⅛	20½	10⅛	14	9¾	10¾	1.20
Standard Gas & Elec. Co	129¼	53⅛	88⅜	25⅛	34¼	14½	16⅝	3½
Standard Oil of Calif	75	42¼	51¾	23⅛	27¼	16¾	17⅞	2
Standard Oil of N. J.	84⅞	43⅛	52½	26	31½	21⅝	22½	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	2⅜	3	..
Stone & Webster	113⅜	37½	54½	9⅞	50⅛	7¼	8⅝	.50
Studebaker Corp.	47¼	18⅛	26	9	12⅛	5⅛	6	1.20
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	10	11	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	16	17	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	6⅛	3⅝	†3¾	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2	†2⅛	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	13⅞	14⅛	2
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23⅛	12⅛	12¼	2
Union Carbide & Carbon	106⅜	52½	72	27⅛	36⅝	20⅛	20⅝	2
Union Oil of Cal	50	20⅛	26⅝	11	13⅞	10	10	1.40
United Aircraft & Trans	99	18⅜	38⅞	9⅞	16⅞	9⅜	11	..
United Carbon	84	14⅜	28¾	6⅛	14	9⅛	†9½	..
United Corp.	52	13⅞	31¼	7⅛	10⅛	5	6⅜	.40
United Fruit	105	46½	67¾	17½	30½	19	20½	3
United Gas Imp.	49⅜	24¼	37½	15⅜	21¾	14¼	16⅜	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅜	20⅜	31⅛	19¼	20	..
U. S. Pipe & Fdy.	38¼	18½	37⅛	10	15½	8¾	9½	2
U. S. Realty	75½	25	36¾	5½	8½	5½	6⅛	..
U. S. Rubber	35	11	20⅜	3½	5⅜	3	3⅜	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	19⅞	11½	13⅜	1
U. S. Steel Corp.	198¾	134⅜	152¾	36	52⅝	29¼	29⅝	2
Util. Power & Lt. A	45⅜	19¼	31	7⅞	10⅝	2⅜	3¼	..
V								
Vanadium Corp.	143¼	44⅜	76¾	11	18⅞	7⅞	8⅜	..
W								
Warren Bros.	65⅜	26⅜	46⅜	3¾	7	2⅛	2⅜	..
Warner Brothers Pictures	80¼	9¾	20⅜	2⅛	4⅜	1¼	1½	..
Western Union Tel.	210¾	122⅛	150¾	38½	50	25½	27	4
Westinghouse Air Brake	52	31¼	36⅛	11	17¼	9¼	11¾	1
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22½	35⅞	19⅞	21⅝	1
White Motor	43	21⅝	26¼	7⅜	12	7¾	8¼	..
Woolworth Co. (F. W.)	70⅜	51½	72¾	35	45⅝	35¼	37¼	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	23⅜	7⅜	9¼	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	35	35	4

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Bonds

Public Utilities

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 11	60.11	62.04	22.45	56.13	54.43	1,695,124
Tuesday, April 12	59.90	62.33	21.73	55.15	53.55	1,553,160
Wednesday, April 13	59.57	61.18	20.94	54.64	50.73	1,091,180
Thursday, April 14	59.88	63.27	22.15	54.59	52.03	1,724,210
Friday, April 15	61.27	64.49	22.95	57.11	52.30	1,481,854
Saturday, April 16	62.28	63.39	22.36	56.35	52.90	579,180
Monday, April 18	62.22	60.85	22.29	54.58	52.24	848,410
Tuesday, April 19	61.72	59.75	22.26	52.96	50.99	1,038,161
Wednesday, April 20	61.80	59.46	23.02	52.64	50.68	991,162
Thursday, April 21	62.39	62.01	24.45	54.26	51.05	1,095,810
Friday, April 22	62.26	58.88	22.64	52.92	50.95	915,120
Saturday, April 23	62.20	59.22	22.90	51.65	50.41	470,970

Answers to Inquiries

(*Continued from page 48*)

share basis on the outstanding preferred stock of the company, the above results amounted to \$38.71 and \$60.01 respectively. The declining trend of earnings has continued during the current year, results for the 12 weeks ended November 20, 1931, equalling \$2.69 per preferred share as compared with \$7.33 for the 12 weeks ended November 21, 1930. Certainly, Metro-Goldwyn Pictures Corp. has made an exceptional bid for increased business, if we are to judge by the recent acclamation accorded its production "Grand Hotel." Financial position at the close of last year was satisfactory, the ratio of total current assets to current liabilities amounting to approximately 8 to 1, although substantial inventories were carried at the year-end. The only funded debt of the company consists of \$1,554,600 mortgages of subsidiaries, while the capital structure consists of 161,654 shares of 7% preferred stock (\$27 par value) and 620,000 shares of \$5 par value common stock, all of which is owned by M.G.M. Co., Inc. The 7% preferred stock of Metro-Goldwyn Pictures, in our opinion, is suitable for inclusion in the average business man's portfolio, and we counsel against sacrificing your commitment at the present time.

GENERAL MILLS, INC.

In 1931 I bought 100 shares of General Mills, Inc., as I felt sure that if any company could hold up in a depression, a food company should. Do you think its stock is likely to decline much further? Would you advise me to sell or continue to hold for a while. I will appreciate your advice and any information about the company's outlook that you can give me.—M. E. F., San Francisco, Calif.

Benefiting from the demonstrated stabilized demand for wheat products, General Mills, Inc., has attained a position of leadership in the flour milling business, with a production capacity of 88,700 barrels of flour daily. Terminal and elevator facilities are sufficient to store 46,062,500 bushels of wheat. The company is practically independent of fluctuations in the grain market, inasmuch as all purchases of grain for milling are immediately hedged by short sales in the market. In the fiscal year ended May 31, 1931, earnings dipped to \$3.71 a share from the \$4.57 a share shown in the previous fiscal year. This was largely due to the increased advertising and sales development expense for the company's packaged products, such as "Wheaties" a breakfast food, "Softasilk" a cake flour, and "Bisquick," a biscuit flour that requires only the addition of water or milk before baking. The company's principal brand of flour is "Gold Medal." It is on the potentially increased market for these trade-marked products, that the company's future earnings gains are dependent, the bulk output affording basic stability. Although no interim reports are published by the company, the growing public demand for trade-marked food products, added to the steady consumption of bulk goods, indicates that earnings for the fiscal year ending May 31, 1932, should hold close to those for the previous fiscal year, well in excess of the current annual dividend requirement of \$3 a share. Therefore, we consider the \$3 rate reasonably safe, and favor retention of your holdings for the liberal dividend yield afforded, while considering the speculative possibilities involved in the growing market for packaged goods.

TIMKEN ROLLER BEARING CO.

Considering the poor outlook for the rails and motors what do you think of Timken Roller Bearing Co. prospects? Do you think it advisable to hold hoping for a turn for the better or do you think it would pay to invest elsewhere? I bought my stock considerably above present levels.—M. D. O., Trenton, N. J.

The Timken Roller Bearing Co. has actual or potential customers wherever industrial or transportation wheels turn. The company's chief product, a tapered roller bearing (enjoying supremacy for many uses) is suitable for machinery, railroads and automobiles. Naturally, by the very weight of numbers, the automobile industry is the leading customer, and slackness there is reflected in Timken's slower activity. The demand for machinery is sharply curtailed in response to prevailing industrial conditions, while the railroads are in no position to enter on a large scale equipment modernization program. With all three sources of the demand for roller bearings partially checked, and the steel alloy business dull, the company's 1931 showing may be regarded as indicating a promising adjustment to the changed conditions. Manufacturing profit of \$7,112,935 was more than half the \$13,242,954 reported for 1930, with 1931 net earnings of \$2,571,241 or \$1.06 a share, against \$7,524,122 or \$3.12 in the previous year. While the company was in a strong balance sheet position on December 31, 1931, with current assets including \$14,037,365 cash, and marketable securities of \$21,487,199, against current liabilities of \$1,144,067, indefinite maintenance of the dividend at the present \$2 annual rate appears unlikely. However, quotations for the shares appear to discount fully, a reduction in line with the curtailed earning power. The longer term prospects are encouraging. Use of roller bearings on the railroads adds to economy of operation as well as to the travellers' comfort, assisting the roads to meet outside competition. The wider use of roller bearings on each automobile will prove important, once automobile output turns upward. Any quickening of general industry will stimulate the production of new machines with roller bearings for speed and efficiency. In the light of this, we feel that the shares have distinct possibilities for long-term holding, and counsel their retention on that basis.

Important Corporation Meetings

Company	Specification	Date of Meeting
Allis-Chalmers Mfg. Co	Annual	5-5
Am. Radiator & Stand. San	Directors	5-5
Am. Water Works & Elec	Common Div.	5-4
Anaconda Copper Mining	Annual	5-18
Atlantic Refining Co	Annual	5-3
Chesapeake Corp.	Annual	5-4
Chicago, Rock Island & Pac	Annual	5-5
Colorado & Southern	Annual	5-19
Consol. Film Industries	Special	4-29
Dow Chemical Co.	Pfd. & Com. Divs.	4-26
Freeport-Texas	Directors	4-28
General Motors Corp	Annual	5-3
International Harvester	Annual	5-12
Inter. Tel. & Tel. Corp	Annual	5-11
North American Co	Annual	4-25
Tide Water Assoc. Oil Co	Annual	5-5
Union Pacific Ry.	Annual	5-10
Woolworth (F. W.) Co	Annual	5-18

CUDAHY PACKING CO.

Can you explain to me why Cudahy Packing is selling on such a high yield basis? With business volume and earnings for 1931 so satisfactory, it would seem to me that the price should hold up better. Is this likely to mean a possibility of dividend adjustment? Do you advise holding? I bought in 1931.—K. M. E., Albany, N. Y.

The Cudahy Packing Co. held its own in the meat packing industry last year, with tonnage volume showing an increase in the fiscal year ended October 31, 1931, compared with the previous fiscal year. However, the dollar value of these sales dropped to \$181,500,000 from \$231,400,000 in the preceding year, reducing the margin of profit and occasioning some inventory loss. As a result of these factors, net earnings were down to \$2,009,991 or \$3.06 a share of common stock from \$2,930,318 or \$5.03 a common share in the fiscal year ended October 31, 1930. Some stability is afforded Cudahy's earnings by its profitable side-lines of soap, hides, glue, and the well-known "Old Dutch Cleanser." During the course of the 1931 fiscal year, the company improved its current asset ratio from 3 to 1, to 6 to 1. Notes payable were reduced to \$2,508,500 from \$7,965,500 in the previous year, cash was off less than half a mil-

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lion dollars to $5,217,962 and inventories dropped to $13,628,305 from $18,615,608 as of October 31, 1931. The management has demonstrated its ability to cope with difficult conditions in the meat packing industry and should be able to stabilize its earnings as the decline in meat prices is checked. Obviously, if earnings are stabilized at current levels, some revision of the $4 annual dividend rate may be necessary, although the balance sheet position of the company would support some distribution from surplus for a while. However, the shares are currently selling at levels which amply discount a revision of the rate in line with 1931 earnings, and in view of the outlook for steadied earnings and distributions, we favor retention of the shares on the liberal income yield which would be available even on a lower rate than is now paid.

Rails Prepare to Meet Truck Competition

(*Continued from page* 23)

and the cutting down and "staggering" of passenger trains?

"There has been considerable loose talk about greatly changing passenger service. It differs widely from freight service. If only the two termini of a route of a through passenger train had to be considered, it would be easy and practicable to think of seriously cutting off a part of such trains and 'staggering' those kept in service.

"It is the intermediate points that really control through passenger service. For instance, the Chicago & North Western operates three de Luxe trains daily between Chicago and the Twin Cities. The Burlington and Milwaukee also do it. But our trains go by different routes, one by daylight, one at night via Milwaukee and another at night via Madison. It is these and other intermediate points that compel us to keep all three trains going.

"When I left Chicago yesterday on a New York Central train for New York we had a rather light load but when we reached Toledo, Cleveland and other intermediate points the train filled up pretty well considering prevailing conditions—only another illustration of importance to through passenger trains of traffic from intermediate points."

Mr. Sargent, just one more question. Is there any other problem with respect to railroad legislation to which special attention should be given as the executives look forward to and prepare for better times?

"Yes, airplane service. Traffic by air is increasing. The younger generations must be borne constantly in mind in this connection. You and I may still prefer to ride on the ground and may be called 'old fogies.' Your children and mine have no fear about air travel. They like it because it is faster and because of the 'thrill.' They are going to travel that way more and more. The railroads must not overlook this fact. They must do much more toward coordinating rail and air service than they have done so far."

Must Wages Be Further Adjusted?

(*Continued from page* 43)

and steel, etc., to be required to sign an agreement that *immediately* on the start of the plan he will reduce his prices to the full extent of the saving in labor costs.

That during the progress of the plan the banks be urged to put aside their fear and extend credit to worthy enterprises.

That an effort be made to work up enthusiasm in favor of the plan so that everybody will help to the extent of their ability—EDWARD BANKES, River Forest, Ill.

Establish "An Open Stock Loan Market"

(*Continued from page* 42)

available for loaning, all loans made during each day, and all loans returned, and these figures shall be made available daily to the public just as the trading transactions in volume and the running quotations are now available to the public over the tickers.

What, our Congressman may remark, would be the use of all this? Well, I believe, that the celerity with which the stock brokerage world would declare war on Congress would set at rest any doubt as to what an open stock loan market would mean in public benefit. I ventured to outline a part of this plan to a stock broker friend of mine the other day—he was a friend of mine when I began talking—and before I could finish he denounced me as a Red and walked away.

Here, I believe, is what "all this" would do: It would throw against the market the full weight of short selling and the full buoying power of covering—and the extent of the short selling and covering would be known. It wouldn't be a deep dark secret. Those who try to figure what is going on in the market would have more than the daily fluctuations, the volume, and all the other data now available. They would know how much of the day's volume constituted short selling, how much short covering, how much genuine selling and how much real buying. We would have also a statement of the outstanding short position at the end of the day, and would know the scarcity or availability of stock for loaning purposes. If there are any short conspirators they would be forced into the position of conspiring in a room equipped with loudspeakers, microphones, dictaphones and galleries for spectators. If there are no conspirators, no one would suffer from this essential information being made available to all.

In brief we would know when and to what extent short selling was under way, when covering was going on, and have a much clearer insight into the technical strength or weakness of the market as a whole and of individual issues in particular.

It is true that the Stock Exchange, acting under its own rules and not under legal compulsion, announces every now and then that the total outstanding short position on such a day was so much—just a bit of interesting history. The figures are compiled from reports made by the brokers; these reports are presumably correct. But it would be interesting to know what percentage of the outstanding short account actually has been borrowed in the "Loan Crowd," how much of it represents loans by the broker to one customer for another (under the blanket authority the customer now signs), and how much was borrowed quietly here and there from investors, banks, investment trusts and what-not and who-not.

There is one objection to my method: The brokers would have to pay the premiums to the Stock Loan department or exchange and wouldn't be able to grab off premiums by means of bookkeeping entries.—JOHN BELL, Bogota, N. J.

Textile Activity Improves but Profit Margins Are Small

(*Continued from page* 39)

searchlight of publicity and expert guidance, with a view to stopping up the leakage. Finally, by searching out new avenues of consumption for the products of the mills, it has greatly enlarged the volume of gross business available for the textile industry as a whole.

An important development in the

textile industry is the continuous migration of cotton spindles from New England to the Southern States. This is strikingly illustrated in the table on page 39. In the past ten years the southern states have gained 3,140,834 spindles, while New England has lost twice as many and other states 658,000.

Labor troubles and proximity to the source of raw materials were the two factors entering most largely into the decision of the textile industry to transfer a larger proportion of its manufacturing activities to the South, but in place of the aggravating strikes encountered in New England, the cotton goods manufacturers faced the newer problem created by the practice of many southern mills in working the minors long hours on the day shifts and their mothers at night. In the early days of the industry the South produced mainly gray piece goods but efficiency has been increased through the introduction of new methods and on the whole the Southern spindles have become more efficient than the northern. The south has also expanded the industry by the establishment of facilities for dyeing and for producing a larger proportion of higher grade goods.

One year ago, 80% of the whole textile industry agreed to eliminate night work of women and minors in all of their working mills and for the current year there has been a six per cent addition to their ranks. Although no concrete data are available as to the effects of the large loss to New England mills of the large migration of textile activity to the South, it is obvious that the opportunities for employment in such localities as Fall River, New Bedford, Lowell and elsewhere have been considerably reduced.

The stress of competition during the last two years has naturally narrowed the margin between the cost of raw cotton and the selling price of the manufactured cloths. As long as cotton spots and futures showed a tendency to shrink to lower and lower levels, there was a natural hesitancy on the part of the big distributors to "stock up" in any appreciable volume. Low prices also cut heavily into manufacturers' profits last year.

For several months raw cotton has exhibited a greater stability than in the previous year or two. Today's price is substantially above the low for 1931, which in turn was 50 per cent under the average low for a period of 100 years. The statistical position of raw cotton is not good at the present time and will be worse if a crop approximating in volume the 1931 output is produced next year.

From a crop of 16,595,000 bales there will be an approximate carryover of 12,000,000 bales, of which the Farm Board holds about 3,500,000 bales. If the southern crop this year attains only a 14 million bale output the cotton industry will be compelled to stagger under a load of close to 26 million bales, with an outlet in the home and foreign markets of about 12,500,000 bales. It is possible that the channels of foreign consumption will be enlarged somewhat, particularly in the event of a European industrial recovery and a further shading of the price of raw cotton.

From the standpoint of raw materials, therefore, there is little indication at present of a runaway market for cotton textiles. From the manufacturing standpoint the situation is somewhat different, particularly in view of the renewal of the agreement among southern millers to eliminate the night work of women and minors, and the new accessions to the list of a number of prominent print cloth, narrow sheeting and carded yard mills.

A bright spot in the raw cotton situation was the Commerce Department's February export statement, showing the largest foreign shipments for that month and for any month since 1927, and, with that exception, since 1915. The total for the season to the end of February was 21 per cent larger this year than last, and 12 per cent above the 1929-30 season.

From the merchandising angle, the most effective and most profitably conducted distributors have been the large department stores with annual sales of $10,000,000 or over. The value at factory of the important lines handled by

dry goods and department stores are: cotton goods $1,713,368,000; carpets and rugs of wool $188,903,000; cotton and small wares $84,675,000; knit goods $809,000,000; silk manufactures $808,979,000; linen goods $11,157,000; corsets $77,115,000.

Congoleum-Nairn, Inc.

(Continued from page 35)

third grade, or off-standard merchandise which has been unsettling the market, the fact remains that productive capacity remains high, and competition is keen. An attempt to place the trade on a more stable basis is seen in the recent plans to organize an association with a legal code of ethics and business practices. From now on, as normal public buying is resumed, the bulk of the business will go to those companies with sufficient liquidity of assets to press their markets aggressively, with well-recognized trade names and products, and with the corporate strength to survive dull periods and to meet competition. Congoleum-Nairn would appear to meet these requirements and to have longer term prospects for operations stabilized at profitable levels.

S. S. Kresge Co.

(Continued from page 37)

course, conjectural, but is of more immediate speculative, than investment, interest.

Although the company's purchase of its own stock has materially reduced its holdings of cash, its financial position nevertheless remains adequate for all apparent needs. There is no prospect that financing will be needed. The capitalization consists of a small issue of 20,000 shares of $7 preferred stock and 5,517,930 shares of common, preceded by $1,850,000 first mortgage 5% bonds and $22,961,000 in mortgage debt and land contracts payable.

The mortgage debt is not large in comparison with the approximately $66,000,000 of surplus earnings which Kresge has ploughed back into its business over a period of years. The preferred stock, which sold down recently to $96 for a yield of slightly more than 7%, is unique in that earnings on it have averaged between $500 and $700 per share for the last ten years. The conservatism of the company's capital set-up is indicated by the fact that total fixed charges and preferred dividends are earned approximately eight times over, a record that very few companies in any field can match.

This ample coverage of prior charges lends particular attraction to the common stock and indicates that under normal market conditions the common should command substantially higher quotations. The company's current trend of sales appears to be unusually well maintained, the first three months of 1932 showing a dollar volume decline of 7.5%, as compared with the corresponding period of last year, while for the month of March the decline, as compared with March, 1931, was only 3.9%. Being smaller than the drop in commodity prices during the last year, these sales figures indicate a materially increased tonnage volume. Accordingly, moderate long-term commitments in the common stock appear justified by buyers in a position to ignore transient speculative risks.

Peoples Gas

(Continued from page 31)

own and the company's merits, apart from difficulties and uncertainties affecting the holding company organization, which is not under scrutiny in this analysis. The present and prospective stockholder, therefore, should examine the past and present results of the operations of Peoples Gas—not those of related corporations forming the upper section of the pyramid.

In 1920, we find Peoples Gas doing a business of $31,000,000 and earning $2,745,000, or barely sufficient to cover its fixed charges which in that year amounted to $2,364,000. No dividends were paid. In 1921, due to lower costs, rate adjustments, etc., the company reported an $8,334,000 income available for fixed charges amounting to $3,850,000, leaving a net of $4,484,000 for the common. Conservative management of the company withheld dividends in 1921, despite these large earnings and wisely used such income to improve the position of the Company and pay off bank loans which had been $2,270,000 at the end of 1920.

Annual gross revenues in the past eleven years have ranged between $30,000,000 and $37,000,000, the peak being reached in 1929. In 1930, gross amounted to $36,000,000 and in 1931, to $33,700,000. The operating efficiency of the company is indicated by a reduction in the operating ratio from 83.5% in 1920, to 74.6% in 1922, followed by an irregular decline to 66.5% in 1930. In the same period net earnings amounted to over $10 per share in each year, except in 1922, when they were $8.47. For the year 1931, net was $10.96 per share. In five years of the ten, earnings exceeded $11 per share.

In the past decade, the company has paid dividends—$5 in 1922, $6 in 1923, $7 in 1924 and $8 in 1925 and subsequent years. In addition to these dividends, valuable rights have been issued to stockholders. These rights, to purchase additional stock at $100 per share, could have been sold at or above the following prices. In 1925, $1.12 per share; 1926, $2; 1927, $4.87; 1928, $7.75; 1930, $11; 1931, $8.25. A stockholder who simply took his dividends during the past ten years and sold his rights at their low prices, figuring them as additional dividends, received a yearly income ranging from 5 to 19%, as shown in the accompanying table.

The current financial and capital position of Peoples Gas are quite satisfactory. Current assets on December 31, 1931, amounted to $15,449,000, including $4,000,000 cash, compared with current liabilities, $11,491,000, and considering the fact that there is no need for large working capital for an operating utility company which does business practically on a cash basis, this position must be regarded satisfactorily. On December 31, 1931, there were no bank loans included in the current liabilities while in the previous year Peoples had bank loans of $2,000,000 and including its subsidiaries, $2,647,000. The capital position is particularly favorable and better than average for an operating company. The total funded debt of the company and its subsidiaries, including guaranteed issues, is less than $95,000,000 while capital stock amounts to $71,437,000 (714,376 shares of $100 par value). Of the total funded debt, $15,000,000 is due July 1, 1932, but the capital position, financial position, earning power of the company indicate that the usual refunding operation will simply provide for this maturity.

To summarize, Peoples Gas Light & Coke Co. common stock, listed on the New York Stock Exchange, appears to be one of the attractive opportunities created by the present disorganized financial market. Further, it cannot be denied that the difficulties of the various Insull holding companies have sympathetically affected the quoted values of the stocks of operating companies, though there is no justification, apparently for viewing Peoples Gas from any point of view, but that of investment. It is difficult to see how its operating or earning future can be affected by the eventual course of the Insull situation. The long term future of the gas industry in the Chicago territory warrants approval of Peoples Gas common stock as an investment medium.

Corn Products Refining Co.

(Continued from page 29)

tain patents, trade-marks, securities, and other property. The bonds are listed on the New York Stock Exchange.

Junior to these bonds there is $25,000,000 in $100-par preferred stock and $63,250,000 in common stock of $25 par value and as the bonds form such a small part of the total capitalization it is hardly surprising that interest coverage is exceedingly high. Indeed, since 1921 to the present time, in no year have earnings failed to cover interest requirements more than fifty times over, while in each of the last four years requirements have been covered more than a hundred times over.

The exceptionally high coverage of earnings over interest charges, their first mortgage position and the debtor company's strong financial condition all contribute to place the 5% bonds of the Corn Products Refining Co. in the highest class of industrial investment. This position of course is not conducive to the highest of yields, but a prospective purchaser by entering a bid around the 102 level might well be able to obtain them with the exercise of patience. At this price the yield to maturity would be about 4%.

Wheat Outlook Offers Hope for Agriculture and Business

(Continued from page 17)

21,283,000 acres. The exportable surplus of 159,800,000 bushels has already been pared down to 91,364,000 bushels by April 15. A year ago, there were 128,363,000 bushels still on hand.

Although farmers in both of these Southern Hemisphere countries are now seeding their new crops, with indications that a slightly larger acreage will be put in, weather in the intervening period before the next growing season will tell the tale of the next crop. In the meanwhile, farmers, having sold heavily for the past four months, are endeavoring to hold back remaining supplies. By July, it is likely that 85 per cent of the Southern Hemisphere's available supplies will be sold out and that sector a gradually lessening influence on world prices until the new crop comes in.

Russia, bogey of wheat in 1930, found that nature is still an important factor in growing crops and no respecter of Five-Year-Plans. The 1931 crop, as yet not officially reported as to size, was privately placed at about 930,000,000 bushels, compared with 1,084,000,000 in 1930 and only about 75 per cent of the figure set in the plan. With a domestic usage of approximately 860,000,000 bushels (this estimate is that of I. E. Lubimov, Assistant Commissar for Foreign Trade, made for the 1930-31 crop year ended last August, and in the meantime Stalin had promised early in 1932 to increase peasant rations) and exports of 75,000,000 bushels (estimated by the International Institute of Agriculture at Rome) for the entire current season, of which over 70,000,000 had been cleared by April 15, the demand on supply would be about 985,000,000 bushels, or 55,000,000 more than the total crop. This will be met as it was in the spring and summer of 1928 by borrowing from reserves.

Russia recently was forced to ship back 30,000,000 bushels to the lower and middle Volga producing regions, previously Russia's largest breadbasket, for famine relief there. A flood has wiped out much valuable land in Kuban, in the heart of the Russian wheat belt this season. Peasants are eating wheat which had been retained for seeding. Growing conditions are not favorable to date and indications are that Russia will again prove a deflated menace when the new crop comes on the market next August. Until then, its share of the export trade will be negligible.

Canada harvested a small 304,144,000-bushel crop last August, owing to the drought in that area and the American Northwest, compared with 420,672,000 in the preceding season. The old crop carryover was a record one of 140,000,000 bushels. However, with the United States off an export basis and with Canadian funds at one time this season during England's financial stress at a 20 per cent discount under American, Dominion Manitobas were in good demand on the export markets. On March 31, last, total Dominion stocks of wheat were only 243,000,000 bushels, compared with 280,000,000 on March 31, 1931. Indications point to a carryover of only 103,000,000 bushels at the end of the current season. However, Canadian farmers have seeded a slightly larger acreage and the forthcoming crop, just being seeded now—about two weeks later than usual—will likely show greater than last season. Nevertheless, the growing plant must go through a considerable period before it can be considered safe. Good June rains will be needed badly as about 10,000,000 acres, or nearly 50 per cent of the total acreage in the three prairie provinces, have a deficiency of subsoil moisture.

The United States holds the real key to the wheat situation. Seven years of increasing surpluses, owing to bumper crops and contracting exports, find this country exporting wheat at the slowest pace in the past two decades, supplying only about one-sixth of the world's import needs, while on the other hand it is carrying over about twice as much as all the other exporting nations of the world combined. Indications are that the old crop surplus on July 1, next, will approximate 418,000,000 bushels, a new high mark, and compared with 334,000,000 last year.

However, in the new crop prospect lies wheat's main hope for salvation. Southwest winter wheat prospects have deteriorated probably in excess of 25,000,000 bushels since issuance of the official Department of Agriculture report which indicated a 458,000,000-bushel production based on conditions prevailing April 1. Last season 787,000,000 bushels were harvested.

Spring wheat outlook is for a crop of around 250,000,000 bushels, although this may change by 50,000,000 bushels either way by harvest time. Seeding has been late this season, but this will not necessarily be too severe a detriment, as many large crops in the past have been made despite late seeding.

However, indications are for a total crop of about 683,000,000 bushels, or about 17,000,000 lower than domestic needs.

In no crop year since 1900 have United States combined wheat and flour exports fallen below the 125,686,000 bushels reported in 1931, while in 1921 they reached 359,021,000 bushels. With Argentina and Australia eliminated as heavy exporters after July and until 1933 and Russia a minor threat, Canada and the United States will vie for the principal export trade between next July and January. Our wheat is likely to be in equally good demand if the Chicago-Liverpool spread is righted before then.

Therefore, it is probable that United States exports will exceed 125,000,000 bushels in the coming crop year. Moreover, 17,000,000 bushels will also have to be deducted for domestic requirements if present prospects are fulfilled. About 125,000,000 bushels are also normally retained as a "safe" carryover in the event of a crop catastrophe. Thus, shipments even at the minimum rate coupled with domestic excess needs and allowance for a safe carryover, would shave the surplus to about 151,000,000 bushels. Exports approximating the record 1921 figure would reduce the carryover to far below normal. A failure in the November crop or that of Canada would undoubtedly be reflected in considerably higher values on world markets.

The Continent, with home supplies running low, has already signified by

recent leniency in upward quota revisions that it will be a good buyer in the next four months before the new crop comes in. Moreover, European prospects are not entirely favorable, with Austria, Poland and several other countries in Central Europe reporting adverse conditions. Italy has three times revised its quota upward. France has made eight successive upward changes since February 1. Germany, Greece, Belgium, Holland and the United Kingdom are prospective big customers.

Fundamentally the wheat situation provides at least a logical base for the view that the golden grain, which led us out of the panic of 1896, steadied business during the war and terminated the 1921 depression, will again prove the Moses to lead business out of the bondage of depression.

Removing the Gold Obstacle from International Settlements

(*Continued from page* 27)

Translating from terms of money, therefore, our dollar equalled 1 unit of value on January 1, 1932. At the prevailing rate of exchange the pound sterling equalled approximately 3.6 units of value, the mark .25 of a unit, etc.

The stage is now set for the test of the system's ability to weather changing price levels and relative money values with no unjust burden to either debtor or creditor.

In 1933 the unit-of-value system is in effect. In that year the value of Germany's imports from the United States exceeds that of her exports to this country by $1,000,000. The difference is represented by notes maturing in 1943. Those notes represent commodities and services worth $1,000,000 at 1933 prices. Under the present system they would be for a million *actual dollars*. If prices rose by 1943 the debtors in Germany would benefit since they would have to produce less than they received to meet their notes. Creditors would suffer because the money they received would buy less than they had sold, or at least reduce their profit. If prices fell, the effect would be reversed. Only if they remained stable in those ten years would the ultimate result of the transaction be fair to both parties.

But the unit-of-value system, this fairness to both parties, would be assured regardless of price changes. For on December 31, 1933, when the notes were given, the unit of value we will assume is $.75, and one million dollars is equal to one and one-third million units of value. Accordingly, the notes obligate the German debtors to pay 1,333,333⅓ units in 1943.

The merchants, business men, farmers and manufacturers who received those goods and services from the United States should expect to pay for them with the same or equally valuable goods and services in 1943. And since their debt is expressed in terms of units of value, they are certain that the amount of *money* they pay in 1943 will represent exactly the *value* for which $1,000,000 stood ten years before.

Let us now follow the transaction to the date of payment, December 31, 1943. The intervening period has witnessed political and economic changes which have increased the value of the mark, as compared with the dollar, 10 per cent. Where in 1933 the mark war worth .25 or one-fourth of a unit of value, it now is worth .275. Prices have returned to the 1932 level and the current unit of value —1.00— again is equal to $1. Germany is indebted for 1,333,333⅓ units. At the one-dollar value set on the day of payment, this is equal to $1,333,333⅓, which exactly compensates for the increase in prices.

Returning once more to the present commercial system, it is clear that if her notes had been made out for $1,000,000 Germany could pay them with approximately 3,636,000 marks at the 1943 exchange rate, although she had received a value of 4,000,000 marks at the 1933 rate of exchange. In addition, prices had increased one-third in the ten-year period. Clearly, unless the United States creditors had made enough profit to cover that difference, they actually would be out money when they received their million dollars, since they could not, with that amount of money, replace what they had sold.

But under the unit of value plan the German debtors, who have marks, must convert them into dollars to pay off their notes. With the mark at $.275, Germany's debt under the unit of value plan, in 1943, would be approximately 4,484,800 marks, which figure measures the combined effect on the debt of both the altered rate of exchange and the increased price level.

Had our model problem considered a falling price level, such as that encountered now by nations seeking to pay debts contracted in the post-war inflationary period, the unit of value would have dropped and brought about a consequent decrease in the actual monetary debts, thus safeguarding the debtor as in the above example it has protected the creditor.

It is not contended that the unit of value is a panacea for all economic ills, but it would establish an absolutely stable exchange medium. It offers protection for both the buyer and seller in long-term transactions. It provides the means for investments as unfailing as can be imagined. It safeguards against the overbalancing of world credit by concentration of the gold supply. It mitigates the necessity for extreme national measures to maintain metallic reserves. And finally, since debtor nations would lose rather than gain by inflation of their currencies, it would tend to stimulate all nations to achieve political stability to buoy their monies' buying power.

Can the Federal Reserve Lift the Stock Market?

(*Continued from page* 11)

as the best judges of what should be done with depositors' funds. Whether the lure of obtaining interest on surplus funds will overcome the fear of risking loss of those funds remains to be seen.

Yet there is another side of the picture that must be recognized. Deflation, as is well known, has an automatic, cumulative force. Every collateral loan that is liquidated tends to depress prices and to weaken the security of the next collateral loan, resulting in a downward spiral to which it is difficult to see a natural limit short of zero or the attainment by forced liquidation of security prices so absurdly low that they would attract even timid investment capital somewhat before general bankruptcy resulted. If there is any justification for credit manipulation of any form it is to be found in this self-renewing momentum of deflation.

We think it the part of practical wisdom to leave the future to provide the ultimate appraisal of aggressive credit inflation. If it works there will be at least a temporary and possibly substantial advance in securities and in commodities. As to current tendencies in this direction an infallible guide is available. Effective credit expansion must necessarily show up clearly in a rising trend of bank loans and investments. The condition statement of reporting member banks in leading cities will supply a reliable answer from week to week.

Up to the present writing these statements have shown no break whatever in the continuous process of banking credit deflation. The banks have continued to liquidate collateral loans at a rate ranging anywhere from $50,000,000 to $100,000,000 a week. This volume of selling is sufficient in itself to account in part for the reac-

tionary performance of the stock market in recent weeks. Certainly it is far more important than the much criticized and much misunderstood short-selling or the faint trickle of margin liquidation that is left.

The latest phase of reaction marks a decline of approximately 35 per cent from the highest price level of March. Throughout the depression, concentrated declines of approximately this scope have invariably been followed by intermediate rallies. On this basis, as well as on the generally low level of quotations, a certain amount of scale-down speculative and investment support probably can be anticipated on any further reaction. The most favorable aspect of the market is that trading activity has dwindled to negligible proportions and that weakness is confined chiefly to a limited number of "blue chip" issues, the final deflation of which has usually occurred in the late phases of bear markets.

There is little reason, however, to anticipate that technical fluctuations will be of importance in the next few weeks or months. It remains a market of fundamentals, with its attention riveted on credit developments, on the business indexes, the current reports of corporate earnings, the coming Lausanne Conference on international debts, and, perhaps above all, on the questions of effective governmental retrenchment and sound taxation to which Washington is now struggling to find the answer.

Is This Something New In Depression?

(*Continued from page* 20)

go on for a long time with cumulative destruction, although quite unnecessarily. If, we assume that the American people have lost interest in wealth, that they will never strive vigorously for it again, that the imponderable values of life will absorb them, then this is not a part of the normal economic cycle but the beginning of an epoch.

At the moment, what dominates their thought is the fear of poverty rather than the desire for wealth. Disaster after disaster has made the major motive that of salvaging rather than creating. We hoard instead of multiplying. What is everybody most interested in at this moment? Is it not money, rather than making and getting goods? We look upon money as a ticket to existence,—as an order on the necessaries of existence, rather than as a ticket to the great show of active and productive life. It is not business that commands our interest but money. Money has become the great investment, not to use constructively but to have and to hold. The more this attitude persists the more valuable money becomes and the better investment. Why do anything to risk money to make money when it daily becomes more valuable?

All we need—and sooner or later it will come—is something to change our mentality. We cannot change it by will. It will alter slowly of itself, or some spectacular act or happening will do it. Slowly or suddenly the creative impulse will return, and we shall start again on the upward curve of the cycle. It is absurd to say now as in 1886 that there is nothing more to do in the world and that we have come to a dead level. We didn't feel that way in 1928-29; we knew and knew rightly that there were endless tasks to be done and that the world was really under-prosperous and lop-sided in prosperity even then.

Nothing is fundamentally the matter with us now except that for whatever cause the money-mechanism of trade is sadly out of order. It has been out of order in times and places ever since money and credit came into general use, and in the last 150 years it has many times become universally defective. The simple man is right when he instinctively declares that the trouble is the scarcity of money. It will become plentiful again. The process may be slow, because of all the hard knots governments have tied around expansion, or it may be swift. The six-year depression of 1873-79 blew up in about four months. Six months after a council of the elder peers of American business had solemnly resolved, in 1921, that prosperity could not even begin to return for ten years it was advancing at the charge-step. There are millions of people in mid-life who cannot remember that we had desperate times in 1920-21.

But aside from the pressure of growing scarcity and the rising pressure of stinted desire that will certainly enforce a span of new prosperity, even if short, it is absurd to say that a world that has only a thousand billions of wealth for two billion people is at the end of its expansion rope. Here in the United States we need to rebuild slums and obsolescent structures elsewhere to the extent of fifty billions. The commercialization of aerial transport has hardly started. Another trans-Isthmian canal must be built. We need to build as many miles of hard-surfaced road as we have now. We must control the flooding rivers and master the heats of summer within our edifices.

We know that the masses of our people live in relative poverty even in the best of times. But we are affluent compared with the rest of the world. The per capita income of even such a new and progressive country as Argentina is only 32 per cent of that of the United States, of China about 5 per cent, of Europe less than 50 per cent.

It is easy to lapse into the thought of commentators on the former depressions that there is nothing more to do, nothing new in the future to give new employment, add new wealth, create new services, stimulate new desires and improve the facilities of exchange of products and services. Yet how ridiculous does Wright now seem in concluding that the world had reached maturity in the eighties, when such industries as the electric communications were new and the whole range of manufacture of electric goods and automotives, and the colossal services of the electric utilities was untouched. Actually, the greater the accomplishment of invention, the greater is the probability of further achievement.

Entirely outside of new industries consider the possibilities of intensification of the present services and products. The impending conquest of tropical climates may start us on a new wave of emigration, settlement and expansion of population. All Africa has only a hundred million people, South America fewer, Australia only six. Ever-improving means of transport and communication may rapidly usher in a new age of trade.

Universal peace may come soon and lead to new concepts of world trade, with a reversal of the present rush to self-containment on national lines. We may have an international division of labor, as we have now domestically, that the whole world will turn to such a freedom of exchange of products and, therefore, such an increase in trade and of wealth as we have not yet dreamed of except for the few and favored. Extension of production and of trade can go on for decades, even centuries, and there is almost no limitation to intensification, when the economic machinery of exchange is provided. We are still in the dark ages of money, credit and finance. Within the next ten years there may be a complete overhauling of money standards, a modernization of price relations and a great approach to orderly production and distribution.

We may be at the end of an epoch in the sense that we are at the beginning of a new, even a revolutionary epoch, but that this crisis is the end of inspiring and exhilarating economic growth, perhaps the beginning of the decay of civilization, is a most unwarranted idea. Every great economic crisis has been followed by social improvement and economic advance. This is no exception, the curve is still upward. The real danger is that with our improved methods, facilities, and

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of April 21, 1932

Name and Dividend	1932 Price Range High	Low	Recent Price	Name and Dividend	1932 Price Range High	Low	Recent Price
Aluminum Co. of Amer.	61¾	24	29¼	Gt. A. & P. Tea N. Y. (6¼)	150	126	132¼
Alum. Co. of Amer. Pfd. (3)	67¾	38¼	38½	Gulf Oil of Pa.	35⅞	25⅜	30¼
Amer. Cities P. & L. "B"	3	1⅛	1⅝	Hazeltine Corp.	7⅛	5	5⅛
Amer. Cyanamid B	5⅝	2¾	2⅞	Hygrade Sylvan. (3)	21	10⅛	12⅛
Amer. & Foreign Pwr. War.	5	1⅛	2½	Internat. Pet. (1)	10½	8⅜	9¾
Am. Laundry Machin'y (1.20)	17	11¼	12½	Lone Star Gas (.60)	9¼	3⅜	4¾
Amer. Gas & Elec. (1)	39¾	20⅜	25⅞	Nat'l Dairy Prod. Pfd. A (7)	100	95	97⅛
Amer. Superpower	4¾	1⅛	2⅛	N. J. Zinc (2)	28⅝	14⅛	19⅛
Assoc. Gas Elec. "A" (Stk. 5%)	4¾	1¼	2⅝	Niagara Hudson Power (.40)	7¼	4	4½
Brazil T. L. & P. (Stk. 8%)	13⅝	8¼	8¾	Northern States Pr. Pfd. (7)	96	65	70
Central Stat. El.	2⅜	1	1	Pennroad Corp.	3¾	1¾	1⅞
Cities Service (.30)	6⅞	3½	4¾	Public Util. Holding Corp. of Amer. (x war.)	¾	¼	¼
Cities Service Pfd. (6)	53⅜	38	38⅞	St. Regis Paper	5⅜	2¼	3
Commonwealth Edison	122	50	72	Sherwin-Williams (4)	34½	22½	24
Commonwealth & So. War.	¾	¼	1/16	Standard Oil of Ind. (1)	17¼	13⅛	15¾
Consol. Gas Balt. (3.60)	69½	50¼	54	Standard Oil of Ky. (1.60)	15⅞	10	12⅜
Cord Corp.	8⅛	2⅝	3	Swift & Co. (2)	18⅞	14⅞	15
Detroit Aircraft	½	⅛	3/16	Teck-Hughes (.60)	4⅝	3⅜	3⅜
Elec. Bond Share (6% stk.)	32⅜	9⅞	15¼	United Founders	2½	1	1⅛
Elec. Pw. Associates (1)	8¾	3½	5⅛	United Lt. & Pow. A	8¾	2¾	3⅞
Ford Mot. of Canada A	15	7¾	8⅜	Util. Lt. & Pr. Pfd. (6)	53⅝	16⅛	21
Ford Motors, Ltd.	6⅛	3⅝	4	United Gas Corp.	2⅝	1	1¼
Goldman Sachs T.	3½	1⅝	1¾				

capacity of production we may rise to "all-time" records so rapidly when we start again that we may run prematurely into another crash of even greater proportions than the one in whose wreckage we are now toiling.

France's Objectives Revealed

(*Continued from page* 14)

or rearranged Germany gets the lion's share of the allocation of goods that are permitted to enter France, if Germany is a possible source of such goods. France is deliberately building up trade with Germany that can be used as a weapon in the coming reparations conference at Lausanne at the risk of destroying her trade with the United States. Indeed, her tariff policy seems to be now clearly directed against the United States. If Germany is able to crash the conference with proof of her inability to spare or transfer reparations cash, France will fall back on trade in kind, and will be able to point to an increased and augmentable volume of imports from Germany that can be transferred to the intergovernmental account. At the same time there is a certain degree of French penetration into ownership of key German industries, such as the Stahlwerke.

In some form Germany will be compelled to pay, unless she will go the whole route of submission to the farview aims of France. At this point, if Germany repudiates all further reparations obligations, however paid, and scraps the Treaty of Versailles, there is danger that France will push her into desperation, that the militarists will come to the top in France and finish the job as they would have done in 1919. If Germany can not be bullied or cajoled to bow to French plans, an army of occupation may take up the task.

It is notable that of all the European nations the one whose sympathies have been with Japan rather than China in the present conflict and controversy between those two nations is France. Not that France has not pursued a correct course outwardly in standing with the League of Nations to compose the quarrel and in sponsoring some rather sharp verbal checks to Japan, but that the French press has openly defended Japan's course and supported her defense of her acts. At the same time the great Skoda steel and armament works in Czechoslovakia have been shipping munitions to Japan. These works if not really controlled by French capital are certainly subject to French political control by virtue of the alliance with Czechoslovakia.

France wants to stay on the good side of Japan because of the peril that the French colony of Indo-China would be in if Japan were an enemy. She desires also to maintain the excellent market in rice-eating Japan for the surplus rice production of Indo-China. Moreover, fearing that the United States is about to abandon the Philippines, and believing as all the world does, that Japan will find a pretext to take them over, France can not afford to have a hostile neighbor there, just over a narrow sea. Finally, there is some seething political unrest in Indo-China, and France has no interest in a powerful China next door.

No nation in this time of international pettiness in trade is going to such lengths as France to maintain and extend self-containment at whatever cost to her neighbors. She is unmoved by any consideration of expedient international helpfulness or the comfort and convenience of her own people. The moment England, stricken to her knees, sought refuge in suspension of the gold standard France slapped retaliatory imposts and duties on British goods, denying England the small measure of relief that she might get from the consequences of depreciation of her currency in larger exports to and reduced imports from France. The quota policy was applied, too.

It will be remarked that this course was in collision with the larger policy of co-operation with Britain. It certainly was but it is characteristic of the fatal French bent of mind, in these times, to grab the last cent of immediate cash, to push the currently profitable turn of fortune, to the sacrifice of loftier ends. It never occurred to France, as it did to the United States, that the long-run profits lay in giving Britain a chance to get some substantial benefits, for a time at least, from the tragic fall from the gold standard. Such short-sightedness raises grave doubts as to whether France has the capacity for great statecraft, however cool, hardheaded, calculating and dispassionate she may be in working toward her ends.

Meanwhile, the cultivation of the colonies goes on. More and more France shapes tariffs in them and at home to raise a ring-fence around the French realm—six million square miles, 100 million people. French money is pouring into their development, steamship and air transport lines bring them closer to France, inch by inch, the Foreign Legion crushes the last vestiges of independent tribes in Morocco, step by step a consciousness of French citizenship is being instilled, more and more the natives are becoming an integral part of the French military system. Serious consideration is being given at this moment—both as a means of relieving unemployment and business recession and of consolidating and developing French Africa—to a thousand-mile railway line across the Sahara from Algeria to the French tropical possessions. This line will cost a hundred million dollars and employ 35,000 men for four years. There is even talk of reviving the old scheme for sluicing the Mediterranean into the depression of the Sahara in order to create fertile oases and littorals.

Balked as she may be in the other policies that now contend for national preference, France purposes to have her

colonial empire as a second line of defense of the economic and political preponderance she now has.

One of the most interesting spectacles in the world for the next few years will be the development of the French ambition to hold the seats of power. It will be a miracle if it is realized. France may dumbfound the world again. But the road is a rough and thorny one, beset with difficulties and undertaken by a power which lacks the attributes of lofty imperialism.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Alpha Port Cement Pfd. (7)	80	90
American Book Co. (7)	60	65
Amer. Dist. Teleg. (4)	47	53
Do Pfd. (7)	74	79
Amer. Manufacturing	9	15
Do Pfd. (5)	44	60
Amer. Meter Co. (1)	12	20
Babcock & Wilcox (4)	33	38
Bliss (E. W.) Co. 1st Pfd.	..	30
Cl. B Pfd.	..	9½
Bohack (H. C.) Co. 1st Pfd. (7)	75	82
Bon Ami, B (2½)	23	28
Colt Fire Arms (1)	7	10
Carnation Co. (1½)	17	19
Do Pfd. (7)	95	100
Cleveland El. of Illum. Pfd. (6)	91	95
Congoleum Co. Pfd. (7)	98	101
Clinchfield Coal	2	4
Do Pfd.	20	35
Crowell Publishing Co. (3)	..	35
Do Pfd. (7)	..	102
Detroit & Canada Tunnel	½	⅝
Dixon (Jos.) Crucible	30	40
Doehler Die Cast Pfd	..	10
Gt. N. Paper (2.40)	18	20
Fajardo Sugar	11	15
Franklin Rwy. Sup.	10	..
Gt. Atl. & Pac. Tea Pfd. (7)	115½	118½

	Bid	Asked
Herring-Hall Safe	17	22
Howe Scale	3	6
Do Pfd.	15	16
Merck Co. Pfd. (8)	51	55
Metro. Chain Store Pfd.	..	4½
Murphy (G. C.) Pfd. (8)	..	90
National Casket (3)	33	37
Do Pfd. (7)	89	94
Newberry (J. J.) Pfd. (7)	74	80
Ohio Leather (1)	11½	14½
Do 1st Pfd. (8)	70	80
Remington Arms Pfd.	40	50
Ruberoid Co. (4)	23	28
Safety Car H. & L.	14	17
Savannah Sugar (6)	50	56
Pfd. (7)	82	88
Singer Mfg. Co. (8)	110	115
Standard Screw (2)	30	40
Stetson (J. B.) Co.	7	8½
Do Pfd. (2)	13	17
Wash. Ry. & Elec. (7)	225	310
Pfd. (5)	81	87
West Va. Pulp & Paper (1)	12½	15
Do Pfd. (6)	84	87
White Rock 2nd Pfd. (20)	110	..
1st Pfd. (7)	92	98
Worcester Salt (5)	80	85
Young (J. S.) (10)	75	..
Do Pfd. (7)	90	98

Trade Tendencies

(Continued from page 44)

this year. On the other hand, sustained requirements of the paint, textile and soap industries have been a brighter factor.

Price fluctuations have reflected the individual necessities of special industries using chemicals rather than the general business stagnation. Firm or slightly improving quotations have been witnessed for sulphuric acid, alum, arsenic, ethyl and butyl alcohol, aluminum sulphate, chlorine, white lead, potassium compounds, soda compounds, sulphur and zinc chloride. These materials represent the preponderance of manufactured chemicals and their price stability is reassuring. Quotation declines have been registered for acetic acid, boric acid, citric acid, borax, tin oxide and zinc cyanide. Unlike most other industries in the recent past, the profits of the chemical business have suffered almost entirely from smaller demand rather than from price declines. Because of close adjustment of operations to present quotations, when even a moderate pickup in consumption *does* occur, the chemical manufacturing companies should enjoy a sudden increase in net profits. Certain specialty and welding supply firms have continued to make good profits during the depression, and with recovery in building, shipping and fabrication activities, unusually good earnings are to be expected.

Flexible Taxation to Achieve Business Stability

(Continued from page 15)

example, the tax rates might not only be moved higher in accordance with better business, but there might be a surcharge to cover the amount by which the previous year's revenues fell below the anticipated amount, while should the Government have increased its appropriations in the meantime the rates would be still higher. Conversely, in depression there might not only be a reduction in tax rates to correspond with the more difficult business conditions, but there might be also a temporary reduction offsetting the previous year's excess collections and yet another reduction in basic rates brought about by actual economies on the part of the Government.

The excess revenues garnered in times of prosperity would be employed in the purchase of Government bonds in the open market. Legal restriction would be necessary to prevent the appropriation of any part of this acquired surplus except in the case of a budget deficit. If the Government, for example, wished to indulge in another Farm Board, it would have to increase the basic tax rates to do so.

For each Government bond purchased by the excess tax revenues the Secretary of the Treasury would be empowered to issue at any time a bond of the same face value, although possibly with a different coupon rate. The issuance of bonds in times of depression would make up for the deficiency in tax revenues and, as the sale of bonds would only correspond to purchases made for this very purpose, there could be no valid charge to the effect that the budget was unbalanced and that the credit of the country was being ruined.

It is not difficult to imagine that such a plan as had been outlined would be an immense force working towards business stability. No longer would we have the unhealthy booms of a 1929 nor the equally unhealthy depths of a 1932. Yet at the same time business would not be wholly prosaic. There would be no danger of stagnation caused by too even a keel.

While it is obvious that about the most that the Government can do at the present time is to firmly retrench so that again there may be some reasonable prospect of tax revenues in excess of outgo, it is only at times like the present when adversity bears heavily on everyone and with business men everywhere interested in taxes as never before, that there exists the necessary desire to plan for the future. Now is the time to lay the groundwork for obtaining more from our Government than any country has ever had—a business stabilizer whose operation relieves the onus of adversity and checks the excesses of prosperity.

For Features

to Appear

In the Next Issue

See Page 5

Facts, News and Comments

Travelers on the National Limited which runs daily in both directions between St. Louis and New York will have cause to thank the Baltimore & Ohio Railroad for their comfort on some of the hot days this summer. Continuing its pioneering in railroad air-conditioning, the B. & O. has now inaugurated a through sleeping-car train to be made up entirely of fully air-conditioned cars.

* * *

After all charges and expenses and provision for taxes, General Foods Corp. reports net profit of $4,433,775 for the three months ended March 31, 1932. This is equivalent to 84 cents a share on the 5,277,746 shares of common stock outstanding on March 31, and compares with $1.05 earned on the 5,257,407 shares outstanding at the close of the corresponding period last year. Per share earnings in the first quarter of 1932 do not include General Foods' portion of undistributed earnings of the Best Foods, Inc., which began business January 2, 1932. Comparison with 1931 figures is affected by the exclusion of the Hellmann operating figures from the 1932 accounts.

* * *

During the thirty days ended April 15, 1932, the number of holders of common stock of Cities Service Co. increased 5,475, bringing the total number to 528,617.

* * *

Albert Frank & Co., national advertising agents, have leased the entire twenty-fourth floor of the Sixty Wall Tower building. Their new address at this location will be 70 Pine Street, New York.

* * *

After a banking career of forty-seven years in New York City, Samuel S. Campbell, vice-president of the Chase National Bank, will retire on May 1 to indulge his fondness for traveling, gold, and hunting. Mr. Campbell has been a vice-president of the Chase since April, 1926, prior to which time he was for many years vice-president of the Mechanics & Metals National Bank.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of THE MAGAZINE OF WALL STREET, published every two weeks at New York, N. Y., for April 1, 1932.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared E. Kenneth Burger, who, having been duly sworn according to law, deposes and says that he is the Managing Editor of The Magazine of Wall Street, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, C. G. Wyckoff, 42 Broadway, New York, N. Y.

Editor, none.

Managing Editor, E. Kenneth Burger, 42 Broadway, New York, N. Y.

Business Manager, F. R. Donovan, 42 Broadway, New York, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.)

The Ticker Publishing Co., Inc., 42 Broadway, New York, N. Y.

C. G. Wyckoff, Inc. (stockholder), 42 Broadway, New York, N. Y., the stockholders of which are C. G. Wyckoff, 42 Broadway, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

R. D. Wyckoff (bondholder), Greenwood Lake, N. Y.

C. G. Wyckoff, Inc. (bondholder), 42 Broadway, New York, N. Y., the stockholders of which are C. G. Wyckoff, 42 Broadway, New York, N. Y.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is— (This information is required from daily publications only.)

E. KENNETH BURGER.
Managing Editor.

Sworn to and subscribed before me this 4th day of April, 1932.

[Seal] RALPH J. SCHOONMAKER.
Notary Public Westchester Co., Cert. Filed, N. Y. Co. No. 1387, Reg. No. 38885.
(Commission expires March 30th, 1933.)

Les GRANDS HÔTELS EUROPÉENS

In the gayest capitals of Europe . . in fabled cities of romance and art . . the discriminating traveler will enjoy pleasurable living as the guest of "Les Grands Hôtels Européens". Rates have been adjusted in accordance with the times.

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CLARIDGE'S, PARIS

A Parisian institution, the Claridge anticipates every need of its refined guests—faultless attendance . . phone in each room . . Turkish baths . . swimming pool . . renowned restaurant and grill room. Every suite is differently furnished.

Single Rooms from $5.00
Double Rooms from $7.00

PALACE, LYONS

A stately hall, spacious reception rooms, famous restaurant, garage for 100 cars . . comfortable living for guests of the modern Palace Hotel at Lyons, center of the silk trade. 400 pleasant rooms provided with bath or complete dressing room, and city phone.

Single Rooms from $2.00
Double Rooms from $3.00

RITZ, MADRID

The aristocratic hotel par excellence. Its prominent site on the *Prado*, Madrid, is perennially the scene of brilliant fetes, fashionable "teas" in its splendid Winter Garden. A magnificent restaurant and famous grill complete its accessories to comfortable living.

Single Rooms from $3.50
Double Rooms from $5.50

ASTORIA, BRUSSELS

In the most fashionable quarter of Brussels—Rue Royale—the Astoria is patronized by discriminating travelers. Its luxurious suites and Royal Apartment, the great hall and Salle de Fetes denote a uniform elegance. The restaurant is acclaimed for the excellent cuisine and fine wines.

Single Rooms from $2.00
Double Rooms from $2.50

PALACE, BRUSSELS

In the heart of busy Brussels, you will have rest and fresh air, at the Palace, which faces upon the Botannical Garden. Luxury, refined comfort, faultless attendance . . Five hundred rooms, an equal number of baths and phones. A noted restaurant.

Single Rooms from $2.00
Double Rooms from $2.50

NEGRESCO, NICE

Many rooms of the sumptuous Negresco Hotel at Nice look out upon the blue Mediterranean; others upon the Massena Garden. The great hall, in Louis XVI style, is one of the world's finest. The luxurious restaurant overhangs the water's edge; the grill is noted for specialties.

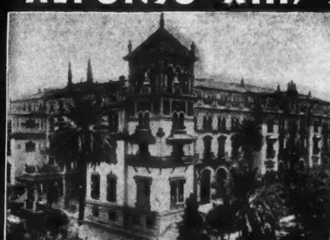
Single Rooms from $3.50
Double Rooms from $4.00

PALACE, MADRID

Largest hotel in Europe, the Palace is splendidly situated between Canovas and Cortes Squares in Madrid. The vast hall is renowned for its admirable proportions and decoration. Rooms of unusual comfort and luxury; each is provided with bath and city phone. Restaurant and grill are famous.

Single Rooms from $3.00
Double Rooms from $4.00

ALFONSO XIII, SEVILLE



Seville, Jewel of the Andalusia of sun and flowers, romance and art, has irresistible attraction. The Alfonso XIII Hotel seems more like an Andalusian palace than the comfortable hotel it is. A magnificent hall and patio; splendid restaurant; garage and all modern features.

Single Rooms from $2.50
Double Rooms from $3.50

CONTINENTAL, S. SEBASTIAN

In the Pyrenees, at the edge of the Atlantic, San Sebastian is the summer residence of royalty. Here the Continental Palace Hotel offers visitors perfect living. On the famous "La Concha" beach, the hotel looks out upon a gorgeous panorama of sea and mountains. Open the year 'round.

Single Rooms from $2.50
Double Rooms from $3.50

CHATEAU D'ARDENNE

In the Ardenne Hills of Belgium, the Chateau was formerly Manor of the Count of Rochefort and later property of the King of the Belgians. It has now been transformed into a luxurious hostelry. Surrounded by a park of 1,500 acres; golf, tennis, fishing, riding are available.

Single Rooms from $2.00
Double Rooms from $2.50

LES GRANDS HOTELS EUROPEENS

L'ERMITAGE DIGNE, FRANCE

A delightful stopping-place on the winter *Route des Alpes*, when motoring to or from the Riviera. Here you will enjoy real countryside amid unforgettable scenery. L'Ermitage will look after your every comfort while you are at home in Digne.

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